

FINANCIAL TIMES



Water highway A dilemma for Brazil



Losing its fizz French PR faces sober times



Today's surveys Jordan

Pages 27-32 and 13-16

Ford in tussle for

China car project

General Motors is believed to have beaten Ford to secure one of China's largest car manufacturing projects, a \$1bn-\$2bn facility in Shanghai. Chinese officials indicated GM had been selected and said an announcement was imminent. But the world's two biggest vehicla makers said they had yet to be told whether a partner for the project to build a mid-size car in China had been chosen. Page 20

Polish workers back Daewoo bid: Daewoo'a bid to buy the state-owned FSO car factory in Poland in the face of competition from General Motors of the US won the support of the plant'a influential workers' council. It voted to back management and government efforts to conclude a deal with the South Korean conglomerate. Page 10

Santer rules out N-test action: European Commission president Jacques Santer said there were no grounds for taking France to the European Court over its south Pacific nuclear test programme, President Jacques Chirac said France would probably carry out four more tests, two fewer than planned. Page 3; EU commissioner struggles to defend book, Page 20

Berlusconi supporters predict victory: The promoters of the no-confidence motion brought by former prime minister Silvio Berlusconi against the Italian government claimed they had enough votes to win a majority. Page 4

Matsushita, Japan's largest consumer electronics maker, brushed aside a sales slump in the first half of the year and increased recurring profits by 10 per cent from Y37.4bn a year ago to Y41.2bn (\$411.8m), mainly by cutting costs and raising manufacturing efficiency. Page 21

China earthquake kills 29: An earthquake hit China's rural, densely-populated Yunnan province, killing at least 29 people, injuring 100 and leaving many farmers homeless. The tremor measured 6.5 on the Richter scale. Page 8

RJR Nabisco shares fall: Shares in US tobacco and food group RJR Nabisco, sank 7 per cent, or \$2%, to \$29% in early afternoon trading after the company forecast lower-than-expected earnings.

Tapie admits lying over football scandal:



Bankrupt businessman and former French cablnet minister Bernard Tapie (left) admitted to an appeal court that he had lied over a football match-rigging scandal. The former Marseille. football club boss is try ing to overturn a previous sentence of a year in

jail for bribery. He abandenials by admitting he met the ex-trainer of Valenciennes, the other club involved in the scandal.

German pledge on troops for Bosnia: The German cabinet said it would commit around 4,000 troops to former Yugoslavia if a peace plan can be approved between the three warring parties. Page 2

Tokyo gas attack trial begins: The first defendant accused of taking part in the Tokyo nerve gas attack went on trial Members of the Aum Shinri Kyo cult face murder and attempted murder charges after the underground station attack in March which killed 11.

BASF worker dies in blast: One worker was missing and three others injured when an explosion ripped through a ship unloading toxic chemicals at BASF's main plant in Ludwigshafen, Germany.

Times Mirror, the ailing US media group, reported a net loss of \$299m, or \$2.96 a share, for the third quarter after absorbing \$360m in restructuring charges. Page 21

HK and Taiwan agree air deal: Taiwan and Hong Kong have ended a deadlock over air services, agreeing to donble the number of carriers flying the lucrative north Asian route. Page 10

Motorola, the US electronics group, plans to increase its manufacturing capacity for smartcard microchips tenfold to 10m a week. Page 10

China's tax revenues rise: China's tax revenues increased by about 30 per cent in the first nine months of the year compared with last year, but tax avoidance remains a big problem for the authorities. Page 8

Hollywood star honoured: Hollywood star Sharon Stone, whose films include Basic Instinct, was made a knight of France's Order of Arts and

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Taiwan

WEDNESDAY OCTOBER 25 1995

GM poised to beat Québécois take independence worries to the bank

By Bernard Simon in Toronto

Fear of poll victory by separatists sparks account transfer inquiries from 0.63 to 0.97 percentage

Business is brisk at banks just across the border from Quebec. Fears that separatists could win next Monday's Quebec indepen-dence referendum have prompted a rush of inquiries about transferring bank accounts to New York state and to the rest of Can-

There are other signs of capital flight. The Canadian dollar has fallen sharply, short-term interest rates have risen, while the gap between long-term Quebec and government of Canada bond yields has widened in recent days

points, the widest spread among Canada's 10 provinces. Voters in the French-speaking province will have to decide on Monday whether to remain part of Canada or to become independent. The referendum question calls for a new political and eco-

Fearing a secessionist victory, many Quebec companies and residents are shifting financial

nomic partnership with the rest

big Canadian bank has hired extra staff at branches in Ottawa, cross the border from Quebec.

Opinion polls show a slim majority of Quebecois in favour of sovereignty. However, federalist forces remain cautiously optimistic that the economic costs of separation, emphasised by current market turbulence, will reverse the separatist momentum over the next few days.

Market nervousness reflects uncertainty about fioancial arrangements between an inde-

pendent Quebec and the rest of burden. They would also use debt Canada, including Quebec'a debt obligations and the status of the

Canadian dollar inside Quebec: The apportioning of the federal debt, totalling about C\$580bn, would be expected to be one of the most divisive issues in negotiations between an independent Quebec and Canada.

Although Quebec accounts for a quarter of Canada's population, separatist leaders have indicated they would expect to take on less than one-fifth of the federal debt payments as a lever to gain economic and political concessions

Debt concerns are exacerbated because Quebec has been slower than the other nine provinces to

from Canada.

tackle its own fiscal problems. The Bank Credit Analyst, a Montreal research group, estimates that an independent Quebec'a foreign debt-to-exports ratio would be three times the Organi-sation for Economic Co-operation and Development average, and 8

percentage points higher than the average of the four most indebted industrial countries.

The Canadian dollar fell to a low of 72.56 US cents yesterday morning, from 74.59 last Thursday, but rallied slightly later, trading at just above 73 US cents. Canadian bond prices also recovered after early losses.

The Bank of Canada respooded to oervousness in the markets by raising its discount rate by almost I percentage point to 7.65 per ceot at its weekly setting.

Editorial Commect, Page 19 Lex, Page 20

German

growth set

China hits at US ahead of meeting with Clinton

By Quentin Peel In New York

Mr Jiang Zemin, China's president, yesterday used the United Nations' 50th anniversary celebrations to launch an attack on the US government hours before he was due to have a summit with President Bill Clinton. The meeting between Mr Jiang

and Mr Clinton was intended to restore a relationship which has deteriorated over the past year. But in a clear reference to the US, Mr Jiang hit at "certain big powers" which "set out to encroach upon the sovereignty of other countries, interfere in their internal affairs and undermine their national unity and ethnic harmony".

ine Chines these "powers" of using the UN "as a signboard under which to advance their own political interests", leaving the world organisation effectively "in limbo". The speech, seen as a deliber-

ate effort to raise his profila on the world stage, as well as back in Beijing, underlined the difficulties in relations between the two countries. However, US officials were still

hopeful that yesterday'a two-hour summit between Mr Clinton and Mr Jiang would help to clear tha air and re-establish some degree of normality to their dialogue. In particular, they are hoping to reopen talks on important

issues such as missile prolifera-tion, the peaceful uses of nuclear energy, export controls, human

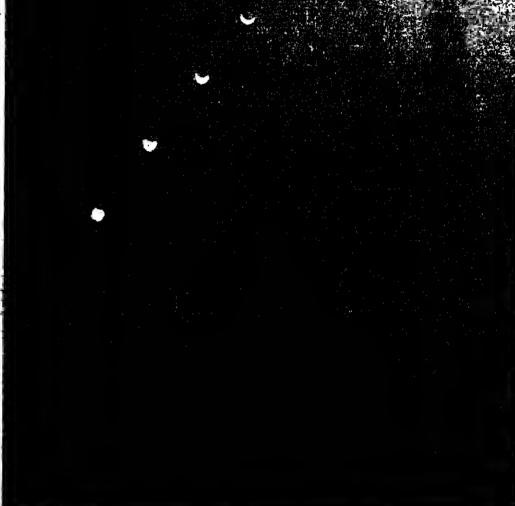
rights and military exchanges, all of which were cut off by Beijing after the mid-year visit of Taiwan's president Mr Lee Teng-hui to the US. The status of Taiwan itself is not expected to be a major issue, although Mr Jiang was adamant that the island was "an inalienable part of Chinese territory".

The acute sensitivity of the Chinese government was underlined by Mr Jlang's refusal to bold his talks with Mr Clinton at the New York public library because of an exhibition there on human rights.

Non-interference was the repeated theme of his speech, as well as the "unfair and irrational international political and ecoute to the UN for its success in mitigating regional conflicts, and "eradicating colonialism", he also said it had failed to curb the domination of the great powers. He attacked the UN peacekeep

ing operations, saying they must not be turned into "intervention of a disguised form in the internal affairs of member states". At the same time, however, he admitted that China "cannot stand in separation from the rest of the world", saying that the reform and modernisation pro-

essential to play its part in international co-operation. UN divided over reform, Page 9 A duty to meddle, Page 18



A total solar eclipse covered parts of Asia yesterday, bringing near-darkness to a 60-mile-wide cess in his country meant it was band running from central Iran, through northern India and Thailand to Indonesia. Millions stopped to watch the eclipse, shown in a multi-exposure image Observer, Page 19 over India's Taj Mahal

to slow as building boom ends By Judy Dempsey in Bonn German consumer spending will recover next year but economic

growth will be a modest 2.5 per cent because a building boom that followed unification in 1990 will come to an end, the country's main economic institutes forecast yesterday.

The institutes warned that the slowing of demand in the construction industry, especially in eastern Germany, meant unem-ployment was likely to remain above nine per cent, but they are expecting stronger economic growth in the second half of the year. They also warned the goverament would find it difficult to keep the budget deficit under its DM60bn (\$43bn) target next year. Slower-than-expected economic growth this year will contribute to a shortfall in tax revenue that the government estimates at DM20bn over this year and next.

The controversial "solidarity" income tax surcharge re-introduced this year to finance the soaring costs of unification was unlikely to be lifted soon because eastern Germany was still dependent on assistance, the institutes said. Transfers this year to the east will total DM194bn. The Federation of German Chambers of Industry and Commerce said the

Continued on Page 20 Job prospects gloomy, Page 2

Row looms between Italian banks over Ferfin cash call

A row is threatening to break out between Mediobanca, the Milan merchant bank, and aome of Italy's largest commercial banks over the surprise L1,035bn (\$640m) rights issue proposed on Monday by Ferruzzi Finanziaria (Ferfin), the Italian holding company. Ferfin's largest shareholders

are former creditor banks, which converted debt into equity in 1933 to rescue the holding company and Montedison, the industrial group it controls, from the brink of bankruptcy. The largest shareholder – Isti-tuto Bancario San Paolo di Tor-

ino, Italy'a biggest bank - yesterday hinted it was unhappy with the latest call for new capital organised, like the debt restructuring, by Mediobanca. San Paolo, which owns just over 15 per cent of Ferfin, has not commented officially on the oper-

ation but sources close to the bank described it as "unorthodox

and unnecessary". Analysts said

the rights issue was partly aimed at deterring predators from bidding for Ferfin.

Ferfin was at the centre of a controversial plan to merge with Gemina, the investment company controlled by Italy's business establishment. But Gemina was forced to shelve its merger plan on Monday. Its shares have been under pressure since magistrates announced they were investigating allegations of falsification of accounts at the company.

Ferfin's shares - dragged down

by the merger plan - rebounded strongly yesterday, helped by continuing rumours that San Paolo, and its banking allies Monte del Paschi di Siena, and Cariplo, the Milan savings bank, might be searching for a white knight to mount an alternative bid. There is still scepticism among analysts, however, about the willingness of banks to take on Mediobanca, which dominates the corporate finance markat through a mixture of technical

சிலாதில் இந்தில் நார்க்கு இருந்து என்று இரித்து இரு இரு இரு இரு இரு ஆறிறும் இரித்து இருந்த கார்க்கு கார்க்கு இர

An extraordinary meeting of Ferfin shareholdars has been called for December. Together San Paolo, Cariplo and Monte dei Paschi own just over 21 per cent of Ferfin, and could rally a further 10 per cent if neutral banks also decide to rebel against Mediobanca. Bnt Mediobanca's traditional banking allies - Credito Italiano, Banca Commerciale Italiana and Banca di Roma own nearly 25 per cent of the company. Altogether, former creditors of Ferfin are believed to own nearly 70 per cent of the shares, which have underperformed those of Montedison since rescue rights issues last year.

Ferfin claims the latest rights issue is necessary to eliminate short-term debt and underwrite a capital increase by Fondiaria, its quoted insurance subsidiary. The group has also admitted it has fallen behind on plans to raise L1,500bn through the sala of property between 1993 and 1997.

Lex. Page 20 skill and historic infloence over a group of Italy's oldest companies. Rights plan discontent, Page 22 Foreign Exchanges . Bourses .

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Economic institutes forecast only slight fall in unemployment

German jobs prospects gloomy

By Judy Dempsey

Consumer spending in Germany will rise by an average of 3 per cent next year, the strongest for several years. But its impact on jobs will be minimal because capital investment, particularly in buildings, will slow markedly over the coming months. These are the conclusions of Germany's six economic institutes in their autumn report

autumn report.

Growth in consumer spending, they say, will be fuelled by the introdoction of higher tax thresholds (benefiting the less well-off), an increase in child allowances and the abolition of the Kohlepfennig, the sur-

charge imposed two decades ago on electricity consumers to subsidise domestic coal produc-

The institutes say the increase will be welcomed particularly by the retailing sector where sales have declined because of high taxes, among them the unpopular solidarity tax to finance the costs of German reunification. Consumer spending grew by only 0.9 in 1994. The institutes expect it to increase by 1.5 per cent this

They warn, however, that any jobs created by higher consumer spending will be negated by a sharp fall in investment to construction.

tion in this sector, as the boom, fuelled in particular by large projects in east Germany after unification, ends.

Capital investment, they predict, will grow by 2.5 per cent this year compared to 4.3 per cent the previous year. Next year, growth will slow further to 2 per cent with investment in buildings showing the weakest growth rate ~ 1.5 per cent this year compared to 7.8 per cent in 1994, and falling to zero growth next year.

"With these figures we cannot expect any positive impact on jobs created by the rise in consumer spending," said Mr Heiner Flassheck, chief economist at the DIW institute, one of the contributors to the

report. The unemployment rate in Germany will only fall slightly from 9.6 per cent in 1994 to 9.4 per cent this year and about 9.2 per cent next year, the equivalent of 100,000.

The Association of German industry, the BDI, said yesterday that the institutes' estimates presented a poor outlook for the labour market, which remained "the biggest challenge for economic policy".

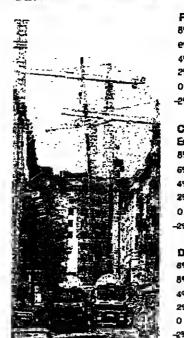
The institutes reckon that

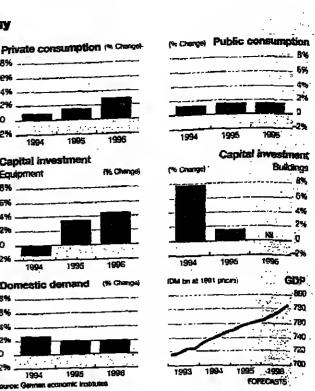
persistent high labour costs in west and east Germany are forcing companies to make savings through redundancies. Labour costs in the east are a third higher than west Germany because of low producIn addition, an increasing number of companies are investing abroad in an attempt to save on production overheads.

A report published earlier this week by the federal economics minister showed that, for the first six months of this year, German investments abroad doubled, rising to DM28.2bn (£12.3bn) compared to the same period the previous year.

The institutes say the rise in investment outside Germany should not adversely affect the level of investments in east Germany particularly since the government has prolonged special grants to modernise the region's economy.

Outlook for the economy





Irish economic recovery brings biggest rise in jobs since 1972

By John Murray Brown in Dublin

Ireland's crippling unemployment problem eased sharply in 1994-95 as the economy created 49,000 new jobs, the higgest annual increase since 1972. The number of unemployed dropped by 26,000 to 192,000, the lowest figure since 1991. However, at 13 per cent this is still the second highest rate in

the European Union after Spain's, and Ireland still has the highest rate of long-term johless in the European Union.

The figures, released yesterday by the Central Statistics Office, cover the 12-month period up to April and provide new evidence of the recent strength of the economy, which grew by 7.4 per cent in 1994, the highest rate among the 25-

member Organisation for Economic Co-operation and Development. Ministers have forecast growth at around 5.25 per cent this year.

around 5.25 per cent this year.

The recent economic recovery has also stemmed the flow of net migration, which reached a peak of 43.900 in 1989. According to the CSO, this was running at just 6.000 in 1995 - with the UK accounting for 57 per cent of Irish emigrants.

"The results certainly counter those who say Ireland has been experiencing jobless growth," said Mr Jerry Sexton of Dublin's Economic Social Research Institute.

The CSO report is based on a survey of 47,000 households, and suggests that industry and manufacturing accounted for 12,000 new johs, while 39,000 johs were created in the services sector. The figures

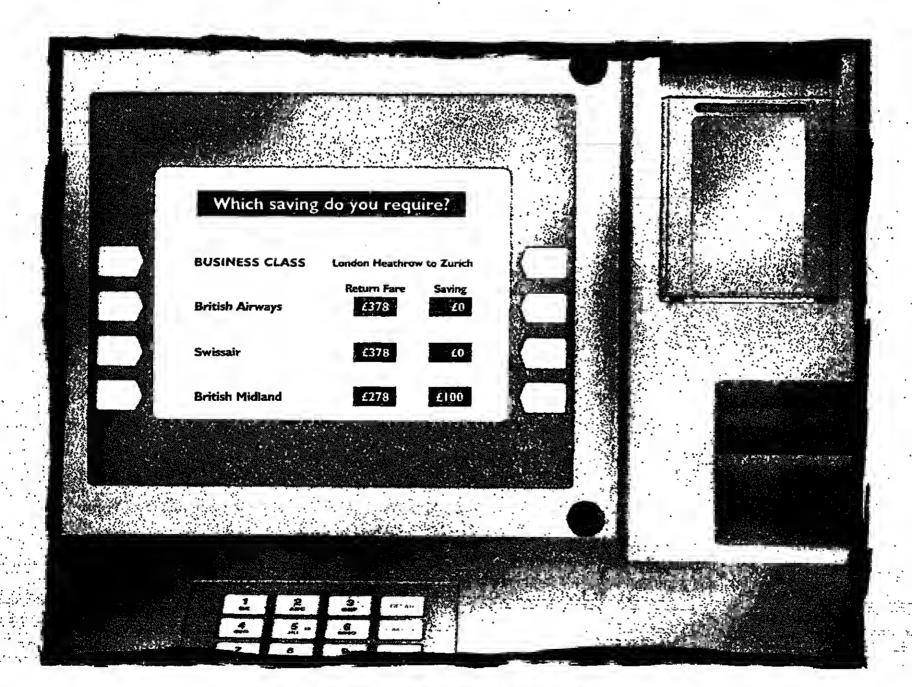
are somewhat flattered by the 10.000 jobs created under state sponsored employment schemes. Also, it is estimated that perhaps a third of the jobs in the service sector were part-time.

The number of new johs was evenly split between male and female, underlining the continuing growth in women's participation in the workforce, which traditionally has had one of the lowest rates in the European Union. The number of women in work increased by 24,000 of whom 21,000 were in services – banking and retailing.

The government welcomed the figures, which Mr Rnairi Qninn, the economy minister, said vindicated the government's employment policy ontlined in last year's

Ireland is undergoing dramatic changes in work patierns, with jobs in agriculture declining in line with the reduction in farm support under the EU's common agricultural policy, and the steady increase in non-farm employment, which has grown every year since 1987. The numbers also reflect the increase in people in tertiary or university-level education.

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Bosnia role for

The German cabinet yesterday said it would commit a total of around 4,000 troops to former Yugoslavia if a peace plan could be approved between the three warring parties.

German troops

The decision marks the largest foreign deployment by the Bundeswehr, the 40-year-old German armed forces, but must first he approved by the Bundestag, the lower house of the German parliament. So far Germany has sent about 1.500 troops to former Yugoslavia, mainly engineers and medical personnel. A government spokesman underlined Germany's earlier decision not to send fighting troops to the region nor to station any forces in Bosnia because of Germany's involvement there during the second world war.

As part of the 2,500 extra troops, the Bundeswehr will send more engineers, staff officers and aerial reconnaissance forces. The troops would be sent for an initial period of 12 months and the deployment is expected to cost DM700m (\$307m). The Bundestag will only be asked to approve the decision once a peace settlement has been reached. Michael Lindemann, Bonn

Some MPs desert Scharping

Mr Rudolf Scharping, the embattled leader of Germany's Social Democrats, was yesterday re-elected as head of the parliamentary party but saw his support drop by almost 20 per cent, a result which is likely to increase uncertainty about his long-term leadership of the party.

long-term leadership of the party.

During the elections 190 members of the 240-strong parliamentary party voted for Mr Scharping, representing 79 per cent of the vote. During the last election for the parliamentary leadership a year ago, Mr Scharping was backed by 98 per cent of SPD deputies.

The vote comes just days after the SPD scored its worst post-war results in the elections for the parliament of the city state of Berlin, a setback which has in large measure been blamed on the infighting among senior members of the party who are not satisfied with Mr Scharping's leadership. Mr Scharping is expected to survive an SPD national congress which begins on November 14 hut many observers suggest it will be difficult for him to hold on to the leadership of the party in the long term.

Michael Lindenner.

Contest develops for Nato post

Mr Uffe Ellemann-Jensen, the Danish candidate to become secretary general of Nato, laid out his credentials before Mr Malcolm Rifkind, Britain's foreign secretary, yesterday amid signs that at least one rival hidder was gaining ground. The prospects of Mr Ruud Lubbers, a former prime minister

The prospects of Mr Ruud Lubbers, a former prime minister of the Netherlands, may receive a boost tonight when President Jacques Chirac of France – who is understood to support the Dutch candidate – confers with Chancellor Helmut Kohl of Germany.

Mr Kohl has hitherto taken a dim view of the candidacy of Mr Lubbers, but his objections are believed to he softening following the recent improvement in Dutch-German relations. The failure of either the Dutch or the Danish candidate to establish himself as a clear favourite has fuelled speculation that the alliance will look further afield.

Mr Javier Solana, the Spanish foreign minister, is

understood to be interested, and several continental European diplomats said they would prefer a strong British candidate to any of the figures so far named. Among previous UK foreign secretaries, Mr Douglas Hurd is believed to he well entrenched in a new banking joh, while Lord Owen would draw strong US objections.

Bruce Clark, London

More routes for French airlines

The French government was last night reported to have decided to open all its internal air routes to French airlines from January 1 next year, in a move to prepare domestic carriers for the total opening of European air services in April 1997. The decision, which Ms Anne-Marie Idrac, the junior transport minister, last night unveiled to the CSAM commercial aviation council, will not have a big impact, because the European Commission last year ordered Paris to end the monopoly of Air Inter, the main domestic carrier, on the high-volume routes from Paris to Marseilles and Toulouse.

These routes, together with Paris Nices Paris and Toulouse.

These routes, together with Paris to Marseilles and Tonlouse. These routes, together with Paris-Nice, account for 40 per cent of domestic air traffic through Paris. However, smaller airlines such as AOM, Air Littoral, TAT and Air Liberté will now also be able to serve minor routes, before facing full European competition in 18 months.

David Buchan, Paris

Italian army corruption probe

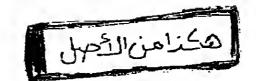
Milan magistrates yesterday issued almost 20 arrest warrants for army officers allegedly involved in an elaborate system of bribes in return for the award of supply contracts.

The investigation is the most wide-ranging into military graft since the anti-corruption campaign began in 1992. Until now procurement in the armed forces has been considered too sensitive an area to be investigated. This move underlines a renewed boldness among the magistrates at a time of political uncertainty.

The investigations have centred on the award of contracts for equipment ranging from clothing and boots to items such as toothpaste. The bribes allegedly covered 1-2 per cent of the contracts' value and were split in percentages by rank. Those issued with arrest warrants yesterday included a general, a colonel and a major.

Robert Graham, Rome

مكنامن الأصل



NEWS: EUROPE

Brussels let-off for France on N-tests

The European Commission yesterday backed away from a showdown with France and declared that there were no grounds for taking Paris to court over its nuclear tests in the South Pacific.

The Commission announcement before the European Parliament came one day after President Jacques Chirac said France would probably scale back the total number of tests from eight to six blasts, ending next spring.

The compromise appeared to get all parties off the hook of a controversy which threatened to poison relations between a sovereignty-conscious France, an activist majority of MEPs determined to stop the tests, and a Commission caught in the cross-fire.

France has already pledged to sign the Nuclear Test Ban treaty next year and to press all other nuclear powers to subscribe to a "zero option" covering smaller devices.

The question addressed yesterday was wbether the Commission could apply Article 34 of the Euratom treaty to take

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France to the European Court of Justice for conducting nuclear tests which were "par-ticularly hazardous" to the workers and local population. Mr Jacques Santer, president

of the Commission, said the Brussels executive had weighed carefully its powers under the treaty, as well as an unprecedented amount of scientific evidence provided by Paris on the tests. On Sunday night, the Commission had concluded, without dissent, that the tests under way did not pose a perceptible risk of significant exposure (to radiation) to workers or the population, and that Article 34 did not therefore apply, Mr Santer

He said a delegation of Commission experts visited Mururoa and found that the level of radiation was 10 microSieverts as opposed to the allowed exposure level of 5,000 microSiev-

told MEPs.

Mrs Ritt Bjerregaard, the Danish environmental commissioner who led the Commission charge against the tests, insisted she was satisfied with the outcome.

The Commission had clari-

fied its treaty powers and had carved out a role in monitoring both military and civil nuclear

The Commission does not have the power to say Yes or No to the tests," said Mrs Bjer-

The Socialists and the centre-right European People's party, the two main political groupings, appeared satisfied the Commission had discharged its duty. But Mr Gjis de Vries, leader of the Liberals, called for Mrs Bjerregaard's resignation, saying ahe had lost all credibility. In addition to writing her

memoirs just six months after becoming a commissioner, Mr de Vries said Mrs Bjerregaard had created schisms within the Commission hy "going solo and appearing like the Guard-ian Angel with the flaming sword of the Euratom treaty in Other MEPs rallied to the

Commissioner's support, urging her to continue long-term monitoring of the French tests and possible damage to Mururoa atoll. A vote is due to take place tomorrow in



Commission president Jacques Santer at the European

Deadlock over compensation for farmers

By Caroline Southey in Luxembourg

European Union agriculture ministers were last night struggling to break the deadlock over plans to allow governments to pay farmers ont of state coffers for losses suffered from currency devaluations in other member states.

The plan, initiated by France, became the price for its support for an overall deal in June which covered the EU's agrimonetary regime and the transport of live animals. France has maintained that its farmers have been under-

cut hy cheap imports from Italy and Spain following devaluations of the lira and peseta. Examples it cites are the sharp drop in French beef and veal exports to Italy and a flood of cheap Spanish fruit

and vegetable imports.

Britain, Sweden, Italy and
Portugal last night remained opposed to the plan despite the political agreement reached in Jnne. The UK and Sweden were pressing for the proposal to spell ont tougher conditions

under which aid could be paid The UK wants to make sure aid is genuinely approved only in cases where there is a loss from currency movements and not something else, and that payments are no higher than the actual loss suffered," said

a British official. Although the Commission was critical of the deal, it has refused to change the terms agreed in June, arguing that the safeguards were sufficient and that it would have the final right of veto over any proposed aid payments. "We will be careful to ensure compensation is only for losses incurred," said an official.

The proposal contains safeguards which are expected to hlunt lts impact. Member states must prove that "con-siderable losses" have been incurred as a result of "significant currency movements which have occurred in other member states", and aid will be considered only for losses suffered from the beginning of the 1994/95 marketing year until December 1995 and will be reduced over three years.

Schengen pact open to non-EU members

By Emma Tucker in Brussels

Memher countries of the Schengen accord yesterday agreed that two non-EU states Norway and Iceland – should be allowed to join the arrange-ment that in theory abolishes passport checks between them. The accord is only open to EU countries, but the founding nations - France, Germany.

Spain, Portugal, Belgium, Lux-

embourg and the Netherlands - are prepared to bend the rules in order to preserve a 40year-old Nordic passport union that has allowed Norway, Iceland, Sweden, Finland, and Denmark to do away with formal internal border checks. Sweden, Finland and Denmark all EU members - have post-poned participation in Schengen until the Nordic passport

union issue is resolved. Mr Johan Vande Lanotte, the Belgian interior minister, who chaired yesterday's meeting in Brussels, said the two outsiders would have to accept all Schengen's rules before specific negotiations for full membership could begin.

Interior ministers from the Schengen countries also reviewed the problems that have plagued the agreement

since it was signed in March. France in effect pulled out of its core commitment in June by insisting that it be allowed to maintain land-horder controls because of the threat of terrorism.

The ministers reviewed an 11-point plan drawn up by the Belgian presidency in response to France's concerns. These covered lack of consistency in the issuing of visas to non-Schengen nationals; policy on asylum; and problems with the Schengen information system, which allows national immigration and police forces to exchange information.

Mr Michel Barnier, the French European affairs minister, said he favoured the idea of "mobile" border controls whereby national police forces stepped up security measures in and around frontier areas in collaboration with their neigh-

The indiscreet charm of the EU commissioner

It was always thus, writes Hilary Barnes, of the Danish representative with the caustic reminiscences

f Chancellor Helmut Kohl did indeed give the impression at a meeting in Berlin earlier this year that he did not know who Mrs Ritt Bjerregaard was, it is something of a certainty that next time he meets ber, the German leader will recognise the fractious European Commissioner for the environment.

Thus Mrs Bierregaard, whose complaint about Mr Kohl is contained in a book she has written about her first six months in Brussels, will have gained a point, and will have gained it in much the same way as she did so often in the past in Danish domestic politics - through carefully calculated use of the politics of provocation to influence policy.

Like all good political dia-

ries, Kommissaerens Dagbog (The Commissioner's Diary), to be published on Saturday hy Aschehoug of Copenhagen, is indiscreet

But her comments on fellow commissioners and European political leaders would not have raised an eyehrow but for the fact that they are being published now, rather than after Mrs Bjerregaard's retirement from the Commission.

Her comments on the high and mighty are often derogatory - particularly those on Mr Jacques Chirac, the French She calls his nuclear test programme in the Pacific

beyond understanding, and

down as Monsieur Bjerregaard - she described the disdain with which Mr Chirac treated Mr Jacques Santer, the president of the Commission.

once spoke a word to Mr Santer, although they were sitting next to each other. "Altogether, Chirac made a very poor impression, and I couldn't help thinking of the

Mr Chirac, she said, never

elegant and worthy... [Fran-cois] Mitterrand. There's really great difference between the two presidents, and I don't believe that Chirac will grow with the job."

She may also have upset constitutional purists with a in a lengthy passage referring detailed account of her battles to a lunch in Strasbourg in to win support at meetings of July - where, to her intense the Commission itself, which

irritation, the hotel had her are supposed to be confiden-

But throughout the diary she aims her shots at people in their political capacities - her indiscretions do not extend to their private lives. Back home in Denmark, her

exercise in political provocation has not won her friends. Outraged comments by former Danish colleagues betray con-cern that her indiscretions may cause bar to lose friends and political clout in Brussels. As one of her old Social Democratic party colleagues, Mr Mogens Lykketoft, the finance

minister, said: "This appears to be an interesting attempt to quarrel with everyone in Europe. It will be fascinating to see if she succeeds." But Mrs Bjerregaard is not

remotely contrite. It would not be like her if she was. Asked last year, just before she took up her position in Brussels, whether her provocative attacks on Danish policy, not

least the policies of her own

Social Democratic party, had

been worthwhile, she said they had - they had changed policies. Her forthright views also brought her recognition from the voters. In the elections to the Folketing, the Danish parliament, last year, she scored more votes than any other poli-

tician on the party list. She had no illusions before taking up her job in Brussels that she would avoid conflicts with fellow commissioners, but said: "As you know, I am not

istrative one. She believes that for the work of commissioners to become effective, a dialogue with the public - and not just other commissioners and lobbyists - is necessary, so that issues can be discussed openly before, rather than after, decisions are taken. "I don't know how this is to

She sees her joh in Brussels

as a political job, not an admin-

be done, but this is my aim," she said last year.

In the diary, she explains that her aim is to demystify what goes on in Brussels and to get ordinary people to take an interest in what is going on

Whether her provocation will help her to win policy battles is another matter, but there is method in it.



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Berlusconi senses victory

By Robert Graham in Rome

The promoters of the no-confidence motion against the Italian government of prime minister Lamberto Dini claimed last night they had enongh votes to win a majority.

But they also warned as the debate got under way last night that last-minute changes of mind by individual deputies could make the outcome in the chamber of depoties very close. The motion brought by the right-wing alliance, headed by

Mr Silvio Berlusconi, the former prime minister and leader
of Forza Italia, is expected to be supported by the right's ideological opponent - Reconstructed Communism, the party formed from the hardline of the old Communist party. These two groupings claim

they can muster between them 316 votes, against 309 for the centre-left alliance backing the government of Mr Dini. But a number of deputies on

the right were concerned at being associated with MPs ideals are still deeply

rooted in Marxism. The communists for their part dislike being linked in such a key vote with former fascists from the National Alliance.

Mr Mario Segni, the reform-ist leader and member of the centre-left, opening the debate, strongly attacked this alliance of mutual convenience. He accused Mr Berlusconi of being irresponsible in bringing the no-confidence motion and the hard left of being wholly cynical in supporting it.

Mr Berlusconi told parliament last night that the eight-

month-old government had ceased to operate as a neutral administration of technocrats and had become completely politicised. This change, he said, was formalised by the removal last week of Mr Filippo Mancuso, the justice minister, on a motion of no confidence brought by the government's centre-left backers.

Mr Berlusconi called on Mr Dini to resign before the vote. But Mr Dini has let it he known he will defend his government and do nothing until



Greek mortgage war worries central

By Kerin Hope in Athens

Greece's ceotral bank bas warned that an outbreak of competition in the domestic mortgage market risks

expanding credit too quickly and diverting funds from savings. Mortgages are an iocreasiogly important part of the housing scene because of a surge in property prices and a decline in the dowry system, under which parents felt obliged to provide their daoghters with a home. The central bank warning comes after a rash of mortgage offers at

sharply redoced interest rates

prompted a flood of applications from

would-be home buyers. Alpha Credit Bank, the largest private back, started the price cuts, slashing mortgage rates by five percentage points to a fixed 12 per cent for the first five years of a 15-year mortgage. This forced state banks, which charge high ioterest rates to cover high

operating costs, to compete.

The state-controlled National Mortgage Bank and National Housing Bank are now offering mortgages at 13.5 per cent for the first three years. Other banks with smaller mortgage portfolios have cut interest rates by two or three percentage points to about 16 per cent, but without committing themselves to a fixed interest

The central bank is worried that interest rates are falling faster than is justified by Greece's precarious economic recovery. Alpha Credit cut corporate lending rates by four per-centage points this year as part of a campaign to increase its market share at the expense of state-owned banks, which control more than 60 per cent of lending in Greece.

Other Greek banks followed suit, encouraging private-sector companies and state enterprises to snap up loans for working capital at around 17 per cent, the cheapest credit available

since the 1980s. Overall credit expansion increased by 10 per cent in the first half of the year, outpacing the central bank's target of 6-8 per cent.

A senior Bank of Greece official

said: "Credit expansion is still being contained, but we would he concerned by an excessive expansion."
High real interest rates on Greek government bonds have attracted heavy inflows of foreign exchange in the past year, which have helped keep the drachma stable and restore confidence in Greece's fragile economy. But the European Union warned the government recently that any ning of fiscal and monetary poli-

cies would precipitate a flight of "hot money" ont of government bonds with possibly disastrous consequences for the Greek currency.

Competition has sharpened among Greek banks, following liberalisation of the banking system under single market rules. But until now banks have been unwilling to offer mortgages of more than 10 years and have been reluctant to lend to the self-employed. One Greek banker said: "Greece's tradition of political and financial instability has made banks exaggeratedly cantious about any form of long-term exposure, espe cially to individual borrowers".

Albania plans law to purge ex-communists

Kevin Done reports on moves to punish backers of the old tyranny

shaken by the rejection in a referendum last year of a new constitution and facing a bruising general election campaign next spring, is introducing a "genocide" law aimed at barring former senior communist officials and collabchairmen of the High Court district first secretaries orators from sacking public office until 2002.

The law, similar to disputed legislation in the Czech Repub-lic which is likely to be extended from 1996 to 2000, will prevent several existing opposition MPs and two opposition party leaders from standing for re-election.

It threatens to re-open many of the wounds of a society traumatised by nearly 50 years of tyranny and isolation under communist dictator Enver Hoxba.

This law will solve nothing in regard to genocide," said Mr Arben Imami, general secre-tary of the Democratic Alliance opposition party, which split from the ruling Democratic

party in 1992. "We are facing a political fight with the ruling party, and wa do not think we will be able to have free and fair elections with this law.'

The Communist grip on power was hroken in Albania later than in the rest of central Europe with the ruling Democratic party's landmark victory in March 1992, when it won more than 62 per cent of the President Sali Berisha, a for-

mer cardiologist and himself once a rank-and-file Communist party member, has come under attack for the increasingly authoritarian nature of his three-year-old administration, however, and the Demo-cratic party leadership appears nervous about its election prospects.

Internal party opinion pollsindicate growing support for the Socialist party, the former

communists The new law, "On genocide and crimes against humanity carried out in Albania during communist rule", is seen by some of President Berisha's opponents as a device to undermine the opposition ahead of the election.

It will have th ning both Mr Skender Gjinu-shi, the present leader of the Social Democratic party, and Mr Fatos Nano, the jailed leader of the Socialist party. from parliament until the end of 2001, or from at least two general elections.

Mr Nano, a former prime minister, who was imprisoned last year on charges of embezzling Italian aid funds, failed in a recent appeal against his sentence despite disquiet expressed over his conviction in several European countries and in the US. According to a recent report from Amnesty International.

the charges brought against Mr Nano were "politically motivated and had not been substantiated by the evidence produced at the trial hearing." Details of how the genocide law will be put into practice. including the setting up of a commission to oversee the

opening of former secret police

files, are due to be disclosed in

parliament soon. Under the framework legislation already approved by parliament, however, several categories of high-level communist officials from the era up to March 1991, the date of the first free elections in Albania. will be barred from election to central or local government, and from being appointed to aenior positions in the state

lbania's government, administration the judiciary or the mass media. The six-year ban will apply to members of the polithur and central committee of the old Communist party, former ministers and members of the People's Assembly, former

> those who denounced or were accusers in political trials. The Socialist party maintains that seven of its current MPs will be prevented from

employees of the Sigurimi (the

former secret police), as well as secret police collaborators and

standing for re-election.

"This is collective punishment, it is anti-constitutional, we will not have a free election," said Mr Ilir Meta, a vicechairman of the Socialist

"If this law was applied in Hungary Mr Gyula Horn could not be prime minister, and in Poland Mr Alexander Kwasniewski could not be a candi-date for president," Mr Meta

President Berisha has dis-

'This is collective punishment. If this law was applied in Hungary, Gyula Horn could not now be the prime minister'

missed such criticism, arguing that 400,000 Albanians were interned and persecuted under Communism, that thousands were killed and that any revival of old ways would "damage the future of

democracy".

Mr Tritan Shehu, secretary general of the Democratic & party says: "These people can be businessmen, professors, engineers, they can be active in their parties. But they organised the old system, they organised the secret police. organised the secret police. They have made big mistakes. "During their period terrible

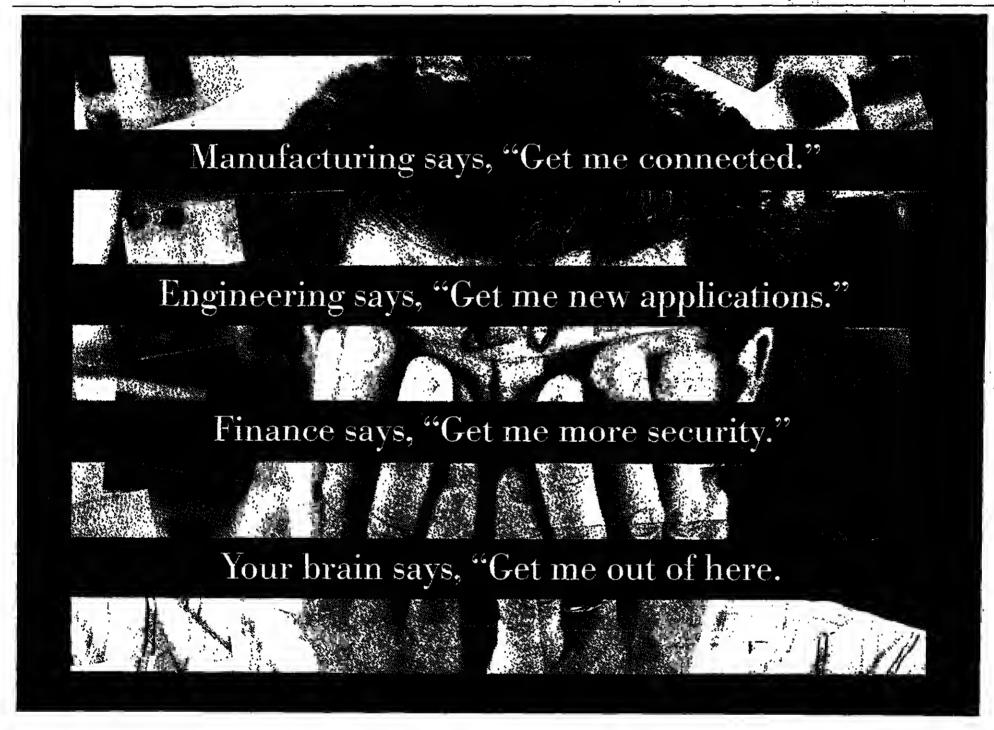
crimes were committed. They this means it will not be possible for them to speak in the name of the people for the next six years. I think that this law will close this period."

There is concern from organisations such as the Council of Europe, which Albania joined this summer, about the development of democracy and the rule of law in the country.

The council is specifically monitoring how new member countries are honouring their commitments. Alarm bells have already been rung in Strasbourg by the dismissal last month of Mr Zef Brozl, the chairman of tha Supreme Court in Alhania, who had been involved in an increasingly bitter conflict with President Berisha.

A recent report from the United Nations Development Programme in Albania highlighted "the debatable independence of the judicial system from the political one".

"We are at a critical point," says one diplomatic observe in Tirana, "this is a crucial election. The Democratic party is still struggling to come to terms with the referendum defeat. There is a struggle between the parliament and Berisha and the courts and Berisha. These are still battles about trying to define the roles of institutions in a democratic



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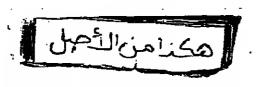
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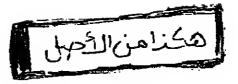
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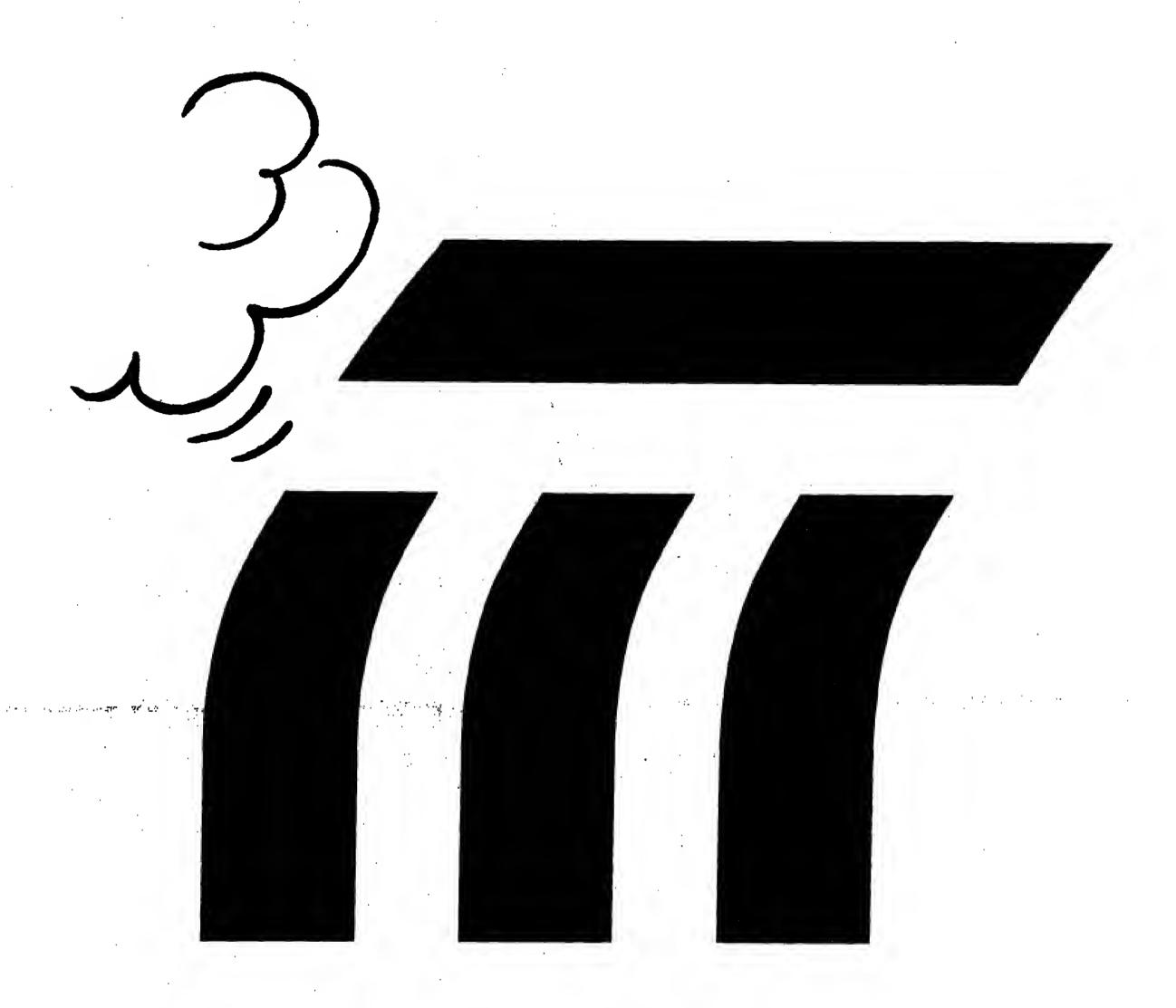
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Clinton goaded on cuts as budget bills loom

The Republican leadership in Congress yesterday tried to goad Clinton administration another round of last-minute budget negotiations, but on terms the White House

was unlikely to find acceptable. This eleventh hour skirmishing came as both houses prepared to vote today and tomorrow on different "reconciliation" bills which combine conventional appropriations with the spending and tax cuts and reforms of social programmes that form the heart of the Republican

A late afternoon meeting was

the Treasury secretary, and Senator William Roth, chairman of the finance committee, to discuss a temporary extension of the federal debt ceiling beyond the middle of next month, or

perhaps earlier. But the conditions laid down for budget talks by Congressman Newt Gingrich, Speaker of the House, and Senator Bob Dole, the majority leader. were stiff. They demanded the administration draw up within 48 hours a budget which accepts the Republican goal of balance in seven years and that it incorporate Republican economic projections rather than its

President Bill Clinton told a union

arranged between Mr Robert Rubin, convention in New York on Monday the Treasury secretary, and Senator night that he would undoubtedly veto the reconciliation bills should they reach his desk. He cited objectionable provisions covering federal bealth programmes, education, the ending of special tax relief for the working poor and the proposal that would allow corporations to tap their pension

> The bills are really a parliamentary device, replete with headline numbers but with many details as yet unfilled. For axample, on welfare reform, a component part of the overall bills, a joint House-Senate conference committee is still struggling to resolve big differences between the legislation passed by the two chambers.

The two umbrella bills also contain significant differences, although both would find \$450bn in savings on the Medicare and Medicaid bealth programmes for the elderly and poor, offer \$245bn in income tax cuts and halance the budget by 2002.

The House version calls for elimination of the Commerce Department but the Senate's does not. The House would provide a \$500 per child tax credit to any family earning up to \$200,000 a year, almost double tha \$110,000 Senate limit.

The House wants to end Medicaid as an "entitlement" for the poor and disabled, but the Senate is less stringent

The administration is more in sym-

pathy with the relatively moderate Senate approach, particularly on welfare reform. But on some issues, such as the earned income tax credit for the working poor, the Senate is tougher than the House.

There are also common specific provisions in both bills that the administration finds impossible to stomach.

Typical is the proposed opening up of the Arctic National Wildlife Refuge to commercial oil and gas drilling. This has also angered Republican moderatas to the point that Mr Gingrich has begun offering them concessions on several environmental fronts in order to preserve his majority.

frank moments that few politicians

inspire such hostility as he does, a burden that might he might happily

bear in pursuit of his revolution in

Congress but which does not help a

There remains also the persistent

feeling that Mr Gingrich's ambitions

might best be served by a second Clin-

ton term. A White House occupied by

Mr Dole or Gen Powell would leave

him only the second most important Republican in town, a clear relegation

from his current status. And he too.

knows much depends on the budget

Mr Ross Perot's independent party

is baving trouble getting off the

ground, it was nip and tuck yesterday

that it would be able to beat the mid-

night deadline and register 89,000 new

members to qualify for next year's

ballot in California. At the very least

Mr Perot's vehicle is looking less and

less attractive for anyone contemplat-

ing the third party or independent route, as some columnists, like Mr

Anthony Lewis of the New York

Times, still urge Gen Powell to take.

miracle than anything else, are the

nine other Republican candidates,

now commonly compared to the "seven dwarves" of the 1988 Demo-

cratic campaign. Senator Phil Gramm

of Texas continues to display a tin ear

for politics (for example, trying to per-suade Arizona to hold the first pri-

mary has gone down like a lead bal-

loon in New Hampshire) and now his

Mr Steve Forbes, the magazine pub-

lisber, is buying recognition with his

money and his war of words on Mr

Dole, but not to the point that anybody is yet taking him very seriously. Mr Pat Buchanan is taken seriously

not as a likely nominee but by those who dislike his America First argu-

ments, which do resonate. Former

Tennessee governor Mr Lamar Alex-

ander plugs away. This odd, edgy period, in which Mr

Clinton's principal political adviser is

a Republican, Mr Dick Morris, is

suited to natural activists, of which

Mrs Huffington is clearly one. At least

there is no evidence yet that she has

been advising Gen Powell.

money is drying up.

Still hopeful, but hoping more for a

national candidacy.

showdown.

Some 500 court cases are still pending over Chile's 'disappeared'

Former secret police chief iailed at last

eeing is believing," said Mrs Sol Sierra, one of Chile's leading human rights campaigners. But she, and a good many other ordinary Chileans can still hardly believe that retired General Manuel Contreras, once head of Chile's infamous Dina secret police force, is finally behind

bars. The scepticism is nnderstandable. It has taken almost five months of public wrangling in the courts over the general's state of health, and behind-the-scenes pressure on the army to get it to persuade Gen Contreras to comply with his sentence.

Gen Contreras was sentenced last year to seven years' jail for his part in the murde of Mr Orlando Letelier, the former Chilean Socialist leader and government minister killed by a car bomb in Washington in 1976.

Gen Contreras's former number two, Col Pedro Espinosa, was sentenced to six years for his role in the crime.

Public opinion polls over the months consistently found that the majority of Chileans did not believe Gen Contreras would ever go to prison. In his four years at the head

of the secret police from 1973 to

1977 he was right-hand man to

the then-dictator Gen Augusto Pinochet, and undoubtedly the most feared man in Chile. The sentence was confirmed by the Supreme Court at the end of May, and Col Espinosa was handed over in early June. Bnt Gen Contreras was promptly whisked off by the

army to a naval hospital. He was operated on there for a hernia, and encouraged to appeal against the place of detention, on the grounds of ill-health.

The hope was that he might be allowed to serve his sen-tence in a military bospital, and avoid the humiliation of being sent to jail.

But by last week all his appeals had been rejected. In the early hours of Saturday morning, the former police chief was taken under army escort to Punta Peuco, a purpose-built jail just outside

En route, bowever, he was feted and toasted by fellow officers, including two generals, in a military base outside Santiago. A detachment of paratroopers from a crack Santiago

regiment have been assigned to guard him, with the prison service taking only secondary responsibility.

The government has deliberately played down the final outcome, in order not to irritate army sentiments. But Senator Sergio Bitar, the leader of the Party for Democracy, part of the governing coalition. said: "It is the first time in Latin American history that a secret police chief has ended up in jail. That is a political judgment on the regime which

Mr Bitar and other political leaders have welcomed the general's imprisonment as a

The jailing of Contreras is a political judgment on the regime which he served'

vindication of the rule of law. But Mr Bitar also said "getting Contreras into jail is a symbol

of all that we cannot do".

The judge was able to collect the evidence to prove Gen Contreras's guilt only with substantial belp from the US courts, which investigated the killing at the time, Mr Bitar pointed out. It was pressure from Washington which forced the Chilean regime to except the Letelier murder from an amnesty decree which covered all other political crimes committed by the Dina from 1973

n the Chilean courts there are still some 500 cases pending over the disappearance in military detention of about 1,000 political prisoners who were detained during

this period. These cases are covered by the annesty law, and although the government and some judges argue that the courts have an obligation to investigate the circumstances of the each case, many judges feel they can do little to shed new light on the presumed deaths.

"Morally, these cases cannot be seen as solved. But judi-clally, I think that within a couple of years most of them will have been closed," said Mr Alfonso Insunza, a buman rights lawyer.

Phoney war' turns into shooting match

Jurek Martin finds these early days in the US presidential race a singularly edgy time for all concerned

Political America might bave thought it had heard the last of Mrs Arianna Stassinopoulos Huffington a year ago when she found that not even spending \$30m could get her congressman husband Michael alected to the Senate from California. That assumption as those who witnessed London's literary wars of the 1970s could attest, was always unwar-

Mrs Huffington is now back in Washington making more than mere social waves in conservative waters. She sits on the board of a foundation set up by Coogressman Newt Gingrich, the Speaker, and her new mission appears quite single-minded. In print and on the air, it is nothing less than to prevent the nomination of Senator Bob Dole as the Republican party's presidential candidate.

The Huffington-Dole spat, in which the majority leader has returned fire with aggrieved fire, is but a blip on the political screen. But it is symptomatic of a singularly edgy time in US politics. This may still be a "phoney war", with more than a year to go before the country votes, but it has almost become an outright shooting match, with all the big players taking turns in the gallery.

President Bill Clinton had appeared in ever better shape with foreign and economic policy producing dividends poli ratings up and no party chal-lenger in sight. But then twice in four days he committed jittery apostasy by suggesting be now thought the 1993 tax increases, part of a hard-won deficit-reduction package, were too steep. That brought the congressional Democratic party, smaller than it was

because of that tax increase, down on his head and elicited scorn beyond count from editorialists, the sting of which was hardly lessened by a subsequent mea culpa. The impression was the old indecisive Clinton wavering again - and on the eve of tha budget showdown with Congress on which his future may depend.

Mr Dole has experienced several rough weeks in a row. Though not seriously challenged by any of the Other nine declared Republican candidates, polls and pundits alike have

By Angus Foster in São Paulo

A vital ingredient of President

Fernando Henrique Cardoso's

civil service reforms was

approved yesterday, but only

after the government had been

forced to water down some

The changes, accepted by a

Brazilian congressional

committee, will break

the constitutional prohibition

against sacking civil servants,

but only under certain condi-

tions, some of which remain

For example, only those

states and municipalities

whose wage bill already con-

sumes more than 60 per cent of tax revenues will be allowed to

fire workers, and only until

their spending on personnel

President Cardoso bad wanted greater flexibility for

the federal and state govern-

ments to cut their workforces.

The federal government fore-

casts its payroll costs will rise

falls to the 60 per cent limit.

important measures.

under discussion.



BIG UNKNOWN: will the popular Colin Powell declare his candidacy?

unseating Mr Clinton. A flat performance in a candidate forum in New Hampshire earlier this month prompted many Republicans to start thinking of alternatives - specifically Mr Gingrich and retired General

Mr Dole added egg to his own face by first obliging the religious right by returning a campaign donation from a Republican homosexual pressure group and then last week saying he had made a mistake. Tied up in Congress, his field organisation in key early voting primary states looked frayed. The endorsement on Monday of Governor Pete Wilson of California may help a bit, but what he needs to generate is enthusiasm, not more big name establishment backers.

Gen Powell, still riding high in the polls and nearing his promised deci-

Cardoso closer to deal

on firing civil servants

to R\$41bn (\$42.7bn) next year,

more than double the 1993

total. Some state governments

see more than 90 per cent of

their tax revenues spent on

wages, leaving no money for

It is unclear if the watered-

down proposals will be suffi-

cient to tackle these problems,

which continue to threaten the

government's budget. Congress

is also insisting that young and

apprentice civil servants be the

first to lose their jobs, even though their low salaries are

The strongest opposition to

the original proposals came

from northern Brazil, where

the government is the biggest

employer and politicians often

hand out civil service positions

The reforms are also unpopu-

lar because job cuts are likely

to begin next year, during cam-

paigning for municipal elec-

Other commitments which

the government agreed with

less of a burden.

feeling the heat, with ever more finely tailored comments on the issues of the day such as abortion marking each stage of his book-signing tour. Though well received on the road, be could not escape some blunt criticism for trying to have it both ways, Clintonwise, by not more strongly denouncing Mr Louis Farrakhan, organiser of the black Million Man

Meanwhile other Républicans, sensing that Mr Farrakhan could be made the bogeyman of the 1996 campaign as Wille Horton, the paroled convict. was in 1988, piled into the Nation of Islam leader, not exactly music to Gen Powell's notion of racial har-

March last week.

His calculations were made no easier by different Republican opin-lons about whether he could fit, as a begun to write off his chances of sion day next month, appears to be black man and a moderate, in a right-

wing party. Mr William Kristol, once so close to Mr Cingrich, writes glowing editorials about Mr Powell in his new Weekly Standard magazine, while Mr Ralph Reed of the Christian Coalition is also beard muttering nice things. But the hard right - secular Mr Rush Limbaugh on the radio, religious Mr Gary Bauer and others in their pamphlets and on the Internet raised the flags of warning that Gen Powell could, if elected, turn conservative revolutionary wine into water.

Mr Gingrich, who says he will not mova until Gen Poweli does, sometimes seems more tempted to get into the race than ever. Mrs Huffington may well be saying publicly what be thinks privately of Mr Dole, and his own freshman fan club in Congress still loves him dearly. But the Speaker, who faces ethical investigations of his own, also concedes in his

Mexican authorities hold 'founder' of Zapatistas

By Daniel Dombey In Mexico City

veteran of over two decades of guerrilla movements.

of the civil service lie behind the constitutional ban on firing government employees once they have worked for two This ban, and extremely generous pension payments. are the main reasons for the increase in the federal and state governments' wage

Yesterday's committee vote had already been delayed several times because of disagreements within the government's coalition partners.

include a ruling that civil ser-

the end of 1998, when the

mandate of President Cardoso

and the state governors comes

to an end. Congress was wor-

ried that a new set of gover-

nors would sack the appointees

Fears of such political abuse

of their predecessors.

vants can be sacked only until

The proposals still need approval from the full houses of Congress, where opposition is also expected to be virulent.

Mexico's authorities said yesterday that police had arrested the alleged founder of the Zapatista rebel movement, Mr Fernando Yañez, a grizzled

Mr Yanez was detained on Saturday evening on charges of illegal possession of firearms. The capture of Mr Yañez, who says he is only a Zapatista sympathiser and claims he has been tortured, appears to represent a further weakening of the position of the once-influential rebei movement, although it may also upset the interminable peace negotiations that are proceeding in the southeastern

state of Chiapas. Never a significant military force, the Zapatistas have lost much of the popular support they won in the weeks following their brief and unexpected occupation of four towns in

Chiapas on January 1 1994. Mr Yanez, code named German, was among one of a handful of middle class whites identified by President Ernesto Zedillo in February this year as leaders of the mostly indige-

What if any status Mr Yañez currently has among the Zapatistas is unclear, although the author of a book on the movement, Mr Carlos Tello, says that Mr Yañez was in command during the early 1990s. Subcomandante Marcos, a more widely known rebel leader, may have wrested control from Mr Yanez since the beginning of the rebellion.

While Mr Yanez's arrest is likely to raise tensions in talks between the rebels and a government delegation, the Zapatistas appear to lack the military force to consider resuming bostilities. Announcement of the arrest was delayed until after the adjournment on Monday of the latest, seemingly successful round of talks.

which participants said were marked by a lighter mood than in the past, both sides agreed that indigenous people needed greater autonomy and political power as part of any settle-

Mr Yañez's detention might also prove a matter of contention in widely advertised talks between the main political partles on democratic reform. Opposition party figures yesterday doubted the wisdom of the move, though the Zapatistas have recently underlined their differences with the lef-tist Party of the Democratic Revolution, their most obvious natural ally on the national

political stage.

Mr Yafiez'e spell in prison
might be brief, because it is unclear how the charges levelled against him square with an amnesty law passed in April. Other alleged Zapatista leaders were released earlier this year due to lack of evi-

Fresh tensions in Nasdaq inquiry

By Maggie Urry in New York

The US Department of Justice has raised fresh tensions in the Nasdaq stock market by asking a federal court to order the National Association of Securities Dealers (NASD) to hand over documents it asked for in January.

The department is carrying out an investigation into Nas-day, the automated quotations market owned by the NASD. Nasdaq market makers have been accused of anti-competitive practices, which include possible collusion and refusal by dealers to trade at prices already quoted on computer screens. The Justice Department investigation began a

The NASD said it had co-operated with the authorities "both informally and formally" by producing "thousands of

pages of documents" and meeting officials to answer ques-

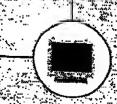
However, the decision to seek a court order indicates frustration on the part of the authorities. According to the court filing, the information the Justice Department first requested over nine months ago relates to the way market makers compete with each other and to "possible collusion" between them.

The department served a civil investigative demand on the NASD, equivalent to a subpoena, in January, asking for the information by mid-February. The NASD, the filing said, had told the Justice Department it would take six to 10 weeks to produce the information, but by this week had still not done so, in spite of repeated requests.

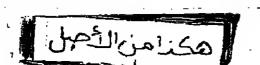


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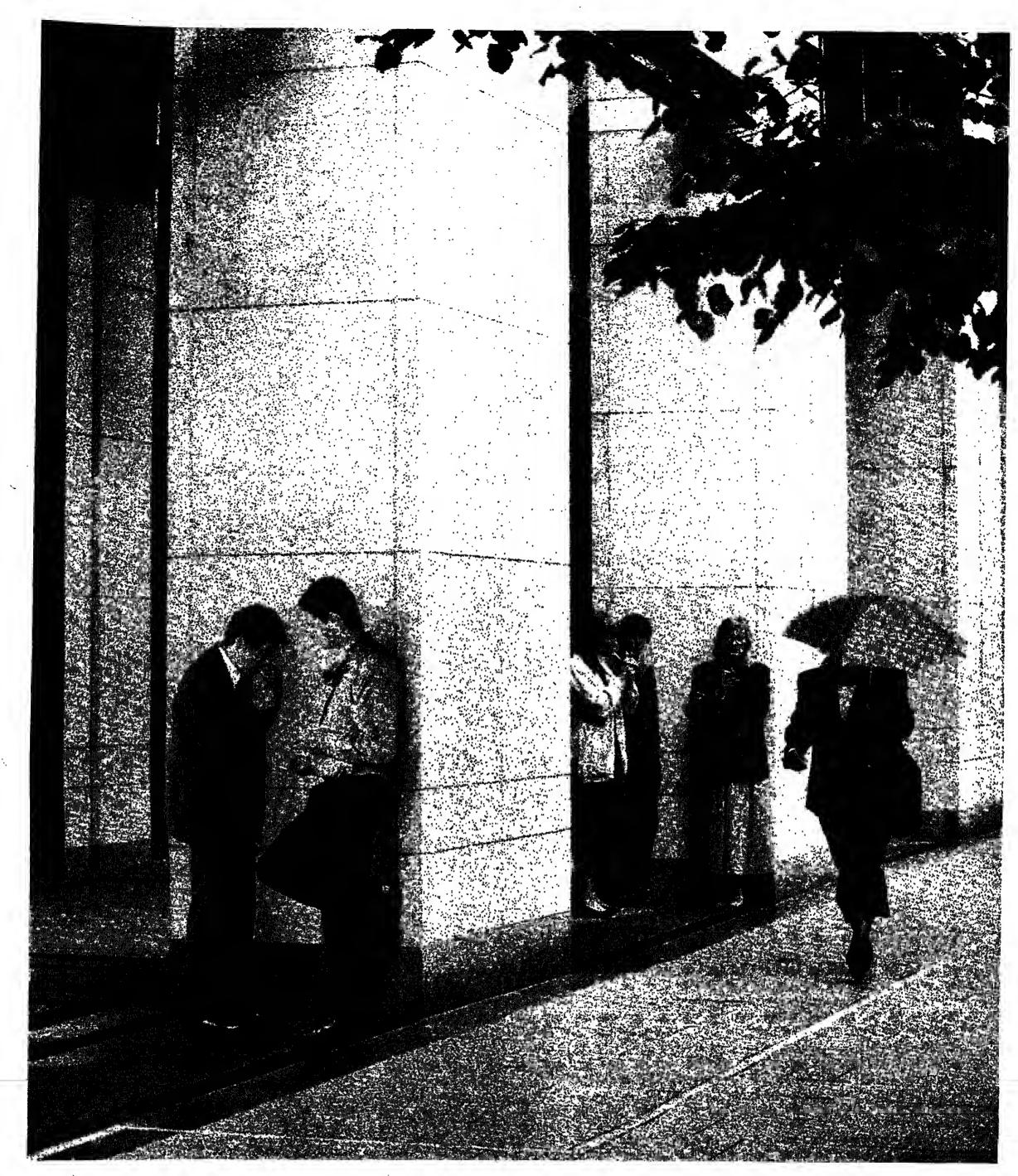
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ASIA-PACIFIC NEWS DIGEST

South Koreans seize infiltrator

South Korean soldiers yesterday captured a North Korean infiltrator and were hunting for another intruder in the second such incident in a week. The two North Koreans engaged in a gunfight with South Korean military and police forces after being spotted in a remote mountain region near Puyo, South Chungchong province, on the country's west coast. One policeman was killed and two others wounded.

The captured 33-year-old North Korean claimed he entered South Korea in August, but refused to provide further information about his mission. More than 22,000 soldiers were mobilised to search for the second infiltrator last night. The incident follows the fatal shooting last week of a North Korean frogman as he tried to sneak across the demilitarised zone, which separates the two Koreas, on an apparent

reconnaissance mission. The latest North Korean intrusions into South Korea are highly unusual. Though many North Korean infiltration attempts were made in the 1960s and 1970s. only one incident was reported in 1992. John Burton, Seoul

Japan in move over US bases

The Japanese government yesterday moved a step nearer resolving the controversy over US military bases, which has aroused anxiety among Japan's Asian neighbours over regional security. An emergency meeting of the three-party coalition agreed Prime Minister Tomiichi Murayama should shortly meet Mr Masahide Ota, governor of Okinawa, in an attempt to persuade him to sign lease renewals for US facilities there.

Mr Ota has refused to oblige residents to renew such leases. in protest against last month's alleged rape of a schoolgirl by three US servicemen in Okinawa, where three-quarters of US facilities in Japan are based. The incident has provoked calls from residents around US bases in Japan for cuts in troop numbers, and in some cases, full withdrawal. Mr Yohei Kono. Japan's foreign minister, vesterday reassured Mr Walter Mondale, US ambassador to Japan, that the Tokyo's allegiance to their security pact was unshaken. They agreed to discuss cuts in US bases in Okinawa. Mr William Perry, US defence secretary, is to visit Tokyo next week to discuss the future for US bases.

Java train crash leaves 17 dead

Up to 17 people were killed and 100 injured in Indonesia yesterday when an overnight passenger train left the rails in an area of ravines and volcanic mountains. Reports from the the derailment were confused, and police in Tasikmalaya, west Java, 25km from the scene, said search operations had been hampered by rain. Some officials said eight carriages and two locomotives had fallen into a ravine in darkness. Others said three coaches and two locomotives had tumbled about two metres down a slope only seconds after passing a bridge over a river. The number of people aboard the train was put variously at 300-400. Rescue teams with helicopters were still searching the wreckage for bodies last night. Reuter, Jakarta

Quake hits Chinese province

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The purpose was to recog-

nize the sea change in

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support to a new world of

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reflected on the policymakers and planners of these

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Emerging Markets CEO Awards is to reward the true

A strong earthquake hit China's rural, densely-populated Yunnan province yesterday, killing at least 29 people, injuring 100 and leaving many farmers homeless, officials said. The early-morning tremor, measuring 6.5 on the Richter scale, struck during a torrential rainstorm, making rescue and relief work difficult in the rugged mountain province bordering Reuter, Beijing

Japan bank chief tries to calm loan fears. U

By Gerard Baker in Tokyo

Mr Yasuo Matsushita. governor of the Bank of Japan, yesterday tried to play down international fears about the stability of Japan's financial system. He said the banking system as a whole was not threatened by the problems of weak halance sheets which were causing alarm in the world's money markets.

"The had loan issue at Japan's financial institutions is serious, but the core of the system is intact," he told a conference in Tokyo marking the tenth anniversary of the signing of the Plaza Accord on cur-

He argued that there was a strong possibility Japan's leading banks would be able to

The "Japan premium", the extra cost of funding for Japanese hanks, rose as high as a full percentage point in international money markets

yesterday, Reoter reports from Tokyo.

Bankers said a few Japanese banks with below-average credit ratings raised funds at 1 percentage point above normal interbank rates. The premium compares with 0.43 percentage points last Thursday.

Banks with slightly better ratings were able

write off all their non-performing loans within a few years. Most banks had strong capital bases and were improving their profitability, factors that would help them dispose of the problems quickly.

highlighted by an increase in international concerns about Japan's problems have been heightened by a succession of financial disasters. Three institutions collapsed during the

to raise funds at 0.62 percentage points over prevailing interest rates. The widening premium, which hit some trust banks hardest, was due to nervousness about the recent downgrading of Japanese banks and to more news about Daiwa Bank's trading losses.

Some bankers said overseas hanks were asking for yet another premium on funds to Japanese banks which had exhausted set credit lines and were seeking new loans.

> emergency standby arrangements to help Japanese banks that might face liquidity problems in US dollar markets. Mr Matsushita said the financial problems were containable, but added three pol-

> US Federal Reserve to agree

speedy resolution. First, restructuring efforts the past month has forced the by individual institutions

icy measures were needed for a

adequacy, damaged in the past few years by loan write-offs and weak asset prices.

Second, burden-sharing among all financial institutions was necessary to ease the problems among weaker companies. That would require an increase in the premium paid by all hanks to the Deposit Insurance Corporation, a fund which protects depositors against a bank failure

Ultimately, public funds might be needed in the disposal of bad loans, Mr Matsushita added. "It may become necessary to seek the shouldering of costs by the people."

Moody's investors Services yesterday explained why it had kept Japanese banks' credit ratings at investment grade,

would improve their capital despite their mounting probadequacy, damaged in the past lems. It said the leading commercial banks were protected by the authorities from faffure. and they could not let any large bank collapse. At present, both the finance ministry and the central bank "stand ready, willing and able to back up [the banks] with whatever resource is required".

Moody's clarification followed its decision last week to downgrade the ratings of three of the troubled banks to the lowest investment grade. Its move surprised some institutional investors which had expected the three, Nippon Credit Bank, Hokkaido Takushoku Bank and Chuo Trust and Banking Corporation, to have their long-term ratings reduced further

Sharp exports fall cancels car industry rebound

By William Dawkins in Tokyo

A sbarp fall in exports ensured that recovery for Japan's car industry proved to be a false dawn in the first half of this fiscal year, according to an industry report yesterday.

Output of cars, trucks and buses fell 3.6 per cent in the six months to September, against the same period the previous year, the Japan Automobile Manufacturers' Association said.

This wiped out the improvement recorded in the previous six months, to the end of March.

Japanese car production has been slowing for four-and-a-half years, the longest period of decline recorded, though several car industry executives believe domestic demand is picking up.

The main reason for the poor performance was a 16 per cent fall in That gentle increase in domestic exports, about a third of total productar sales was one factor in a slight

tion, reflecting the increased value of the yen, as well as weaker US and European demand. Domestic sales, by contrast, rose 2.6 per cent, recovering from a four-year decline, a sign that the weakness of Japanese consumer spending might be past the worst. Vehicle production declined 10.9

per cent in September alone, though domestic sales still rose 2 per cent.

improvement in general economic conditions in August, as measured by the government Economic Planning Agency's diffusion index, a basket of 13 indicators. The leading indicator, pointing to conditions a few months ahead, rose to 30, from 18.3 in July. But Angust was the fourth mouth

in a row in which the leading index has languished below 50, the dividing line between growth and decline. Separately, an EPA quarterly

report showed the first improvement in consumer confidence for nine months. But again, the rise was slight, to 41.1 per cent last month on the EPA's consumer confidence index, up 0.3 per cent from the previous survey in June.

Within this, a mere 1.8 per cent of households bought cars or furniture during the past three months, up 0.3 percentage points from the previous

China raises more in tax but avoidance still rife

By Tony Walker in Beijing

China's tax revenues increased by about 30 per cent in the first nine months of the year compared with the same period last year, but tax avoidance remains a big beadache for the authorities.

Mr Xiang Huaicheng, vice-director of the State Administration of Taxation. said China had made a successful transition to a new tax regime, including a value-added tax. introduced at the beginning of 1994, but large numbers of enterprises and individuals continued to resist paying tax. He estimated that the tax administration should be col-

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dent Selection Committee

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ers, institutional investors,

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Committee's decisions were

final. The Awards were pre-

sented on October 9 during

the joint annual meetings of

the IMF and World Bank in Washington, D.C.

tinuing the tradition in 1996.

Copies of the winners' citations, the list of the Selection Committee members, and details on this and next year's

Awards are available by contacting: Richard Burns, President, International Media Partners, The Cable Building,

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IMP and ING Bank are delighted to have such worthy

recipients of the 1995 Awards and look forward to con-

leaders with vision.

lecting about Yn25bn (£1.9bn) from individual taxpayers this year, but the figure would be about Yn12bn, an increase of about 80 per cent cent over last

By the end of September,

some 14.1m Chinese enterprises had paid Yn374.1bn in industrial and commercial taxes, an increase of 29.1 per cent over same period in 1994. Value-added and consumption tax revenues, which

account for about 60 per cent of the total, rose by about 25 per cent. China is tightening rules on VAT rebates on exported goods

which soared in the first half

of this year. On July 1 the

from 17 per cent. More action on abuses is planned in 1996. Mr Xiang said computerisa-

summer under a pile of bad

loans; last month. Daiwa Bank.

one of the country's largest

lenders, revealed losses of

\$1.1hn (£700m) in US bond trad-

ing at its branch in New York.

overseas funding costs for Jap-

anese banks. The restriction of

credit to some institutions in

The concerns have been

tion was belping to improve tax collection. The tax administration had linked its offices in 50 large cities by computer and planned to expand its computer network to include 370 cities by 1997. This would enable the tax administration to keep a closer watch on enterprises and individuals responsible for 70 per cent of tax revenues.

State-owned enterprises, numbering about 2m, account for about 64 per cent of tax revenues. Collectively-owned. private and honsehold enterprises account for the hulk of the rest.

The Sino-British Joint Liaison Group preparing for Hong Kong's transfer to Chinese rule will meet in Beijing between October 31 and November 2, Renter reports from Hnng out an accord reached in London earlier this month by Mr Qian Qichen, China's foreign minister, and Mr Malcolm Rifkind, his UK counterpart, during a visit which marked a thaw in Sino-British relations.



Sri Lankan troops with a boy rescued in jungle in the north-east. He had hidden to escape a massacre by Tamil Tigers

Battle rages near Jaffna

Sri Lankan troops preparing for a push against the Tamilheld north fought a battle against rebels protecting the approaches to Jaffna city, the military said yesterday. Reuter

reports from Colombo. Righteen soldiers and an estimated 30 rebels died in the battle early on Monday, before the troops repulsed the attack by the Liberation Tigers of Tamil Eelam (LTTE), the military said.

As troops have pressed the rebels in the north, the Tigers have attacked civilians.

Jaffna was now almost almost within reach of the . advancing army that, according to diplomats, was massing for an assault following an offensive launched on October 17 to recapture rebel territory in the north.

An assault on the city would mark the decisive phase in a war in which the government have been killed since it began in 1983. The diplomats said the struggle for densely populated Jaffna could result in heavy loss of life on both sides, as well as among the civilian population.

Resource-rich PNG has to

Former Australian-run territory has hit hard times, writes Nikki Tait

ireworks and balloons filled the skies over Port Moresby. Papua New Guinea's capital, as the country commemorated the 20th anniversary of its independence last month. Down on the ground, many Papua New Guieans were in reflective, rather than festive, mood.

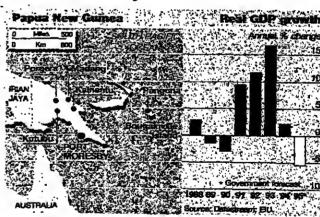
Though proud of two decades of democracy, their resource-rich country is in an economic mess. Some have even questioned whether Australia was over-hasty in dropping the colonial reins.

"For a country blessed with natural resources to be beg-ging is a sin," says Sir Michael Somare, PNG's first prime minister and elder statesman. "The people who are responsible for creating this mess owe an apology to PNG and its inhabitants. This is not the sama country that was worth fight-The cause of this disquiet is

largely economic, coupled with escalating problems of law and order. Already, straitened circumstances have strained relations with Australia, which has pumped about A\$10hn (US\$7.5bn) into the country's economy since independence and still contributes about A\$300m in annual aid. in August, PNG was forced

into the arms of the World Bank, in return for loan funds, the country's leaders have agreed to implement a stringent restructuring programme, which promises to shrink the public sector, widen the tax base and prune import tariffs. The economic problems go

back to 1988, when secessionist rebels and angry landowners forced the Panguna copper and gold mine, on Bougainville Island, to shut down. Panguna, one of the country's first hig mining projects and operated by Australian mining group CRA, accounted for 10 per cent of gross domestic product and



result, GDP shrank in 1989 and

Then, in 1982 and 1993, as revenues from the Kutubu petroleum and Porgera gold mining projects peaked and the government adopted reflationary measures, growth recovered to double-digit figures. But public expenditure drifted out of control, with the budget deficit reaching 6 per cent of GDP and the current account

GDP this year.

According to the Asian Development Bank, annual per capita income of PNG's 4m population is US\$750. Not only is this one of the lowest figures in the South Pacific region, it is less than what it was 15 years ago,

Meanwhile, unemployment in urban centres is high and rising. In the towns lawless-

It is not surprising that there have been attempts to apportion blame, and politicians have been accorded much of it. For many observers, the political shortcomings are epitomised by the Electoral Devel-

direct allocations - recently increased to K500,000 (US\$378,000) - to members of parliament to spend in their constituencies.

In theory, this is a means of getting funds out to the population at large. But to many, the system amounts to blatant favours-for-support politics and is thought to be rife with mis-

One result of these problems has been pressure on the relationship with Australia, still the dominant trade and investment partner. Canberra has fretted over the apparent ineffi-cient use of its aid funds, and after years of warning - is moving from a system of "untied" aid to the funding of

specific projects. This has dismayed PNG's leaders, and there have been open accusations of paternal-

Meanwhile, government finances became so parlous late last year that there was no money to pay hills. Eventually, the country turned to the International Monetary Fund which agreed a \$110.4m standby facility in July.

This was made conditional on a freeze on public service wages, a budget deficit of less than 1 per cent of GDP, and a 30 per cent of exports. As a opment Fund, which makes programme with the World long-term structural reform

Bank. The latter was finally signed in late August. If adhered to, it could release funds of more than \$230m over the next two years (partly supplied by Australia, Japan's Export-Import Bank and the Asian Development Bank). More recently, additional sums to finance specific infrastruc-ture and social investment projects have been approved,

potentially doubling the total But the cost is onerous: a cut of 4,300 public sector employees, trade and price liberalisation, introduction of a general sales tax, changes to the forestry policy to control excessive logging by foreign-owned interests and the eventual privatisation of some government

enterprises. Already, non-governmental organisations are warning of the social costs, although a quick trip to Canberra by Mr James Wolfensohn, president of the World Bank, left Australia's National Council for Overseas Aid, an umbrella organisation, partly reassured that there was a commitment to infrastructure and social programmes. He also said the bank was willing to allow monitoring of the programme's implementation.

Some observers have a more cynical view: they suspect that the PNG government will be eager to draw down loan funds, hut slower to swallow the accompanying medicine. Already, in the context of the South Pacific Forum, PNG has said it will be unable to implement a forestry "code of con-

duct" immediately. "By no means are we in an unsalvageable postion," Sir Julius Chan, PNG's prime minister, told his countrymen at the independence celebrations. Some Papua New Guineans, he noted, had moved from a tribal existance to "modern" lifestyles in less than a genera-

deficit more than 10 per cent. Austerity became imperative, and even before the World Bank intervened, growth had shrunk to negligible levels in 1994. Government forecasts are for a 5.4 per cent decline in

ness is on the increase.

reform itself

By Michael Littlejohns at the UN in New York



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The United Nations must reform and modernise itself if it is to

meet tomor-row's challenges and justify the hopes of mankind, member states agreed as a special summit session commemorating its 50th anniversary neared adjournment last night.

But the declaration, climaxing the three-day event. papered over continuing dis-putes among the 185 members on how to achieve that aim.

They agreed that the Security Council should be expanded and strengthened, but the seven-page document - pre-pared in intensive discussions among amhassadors prior to the gathering of the largest group of heads of state in history - acknowledged "important differences on key issues".

There was need for "further in-depth consideration". A major issue is whether Germany and Japan should gain permanent seats without stronger representation from Africa. Asia and Latin America, or whether there should be new permanent members at all.

Third world concerns over the 15-member council's domithe 15-member council's domi-nance of the UN and the conse-A duty to meddle, Page 18

quent diminished influence of the General Assembly were reflected in a demand for the revitalisation of that "univer-

sal organ". The UN's financial crisis member states owe more than \$3bn for the regular budget and peacekeeping - was addressed in a reaffirmation that "member states must meet, in full and on time, their obligation to bear the expenses of the organisation".

However, the declaration went some way towards meeting Washington's demands for a smaller assessment, raising the possibility of new criteria that could reduce the current 30 per cent US apportionment, Responding to widespread

criticism that the UN system'a secretariats are bloated and unproductive, the declaration called for a significant improvement in efficiency and management of resources. A reference to the right of self-determination "of all peo-

ples" caused problems among the drafting groups because of territorial disputes in the Middle East and the Indian subcontinent. They were resolved only late on Saturday, with the final documents reaffirming that right "taking into account the particular situation of peoples under colonial or other forms of alien domination or

NEWS: INTERNATIONAL UN divided Defiant Kenya is running out of steam A s Renya prepares to Failing energy sector reveals Failing energy sector reveals Building small failing small

هكذامن الأحبل

s Kenya prepares to meet its donors at a meeting in Parls next month, President Daniel Arap Moi is in bellicose mood. He has refused to co-operata with an international trihunal on Rwanda, threatened to charge members of a new opposition party with sedition and railed writes Michela Wrong owners worry that plcked leaves will rot because they cannot immediately be dried. Factories time their machinery party with sedition and railed constantly against foreign interference. The message to exasperated donor countries, to avoid running at peak

looking for signs the political and economic reform process is hours. At Bamburi cement works, the biggest electricity back on track, seems increasconsumer in the country, 163 ingly to be: Kenya is ready, if necessary, to go it alone. But while Nairobi flirts with intarruptions in supply over the past nine months have cost 35.000 tonnes in lost producdefiance, the condition of one tion. The East Africa Associaof the country's kay sectors illustratea tha dangers it tion, which represents 160 foreign companies investing in courts. An object of donor Kenya, advises members to indifference for years, Kenya's huy generators. The fact, claimed industry experts earlier thie year, is energy sector shows just what damage foreign neglect can do.

In terms of lost income, stalled investment and falling living maintained network run by the standards, the country is government-owned Kanya Power and Lighting Company (KPLC) is no longer capable of already paying a high price for past sins. Once-rare power cuts have meeting national demand. become a regular feature of Kenyan life. On the coast, After at first denying the reports, Mr Darius Mbela, the energy minister, last month hotel managers complain of thrice-weekly cuts that halt air came clean, admitting peak conditioners and water pumps demand, running at around and surges that damage com-puters and refrigerator equip-630MW, now outstripped capacity by 44MW. Blaming the ment. Signs in hotel lobbies donors, he warned the shortfall could rise to nearly three times beg tourists, one of Kenya's chief sources of foreign as much in a drought. The industry experts, for their part, exchange, to show forbearance. in the interior, tea plantation predict that shortfalls could

reach 30 per cent of national demand during a serious drought, which hits output from hydro-electric stations. Donor allergy towards this crucial industry dates back to 1986, when Kenya's energy minister of the day, Mr Nicho las Biwott, negotiated a deal

that the ageing and poorlyended up costing many times its original, already-inflated price as a result of kickbacks paid to government officials.

with French contractors to build a massive hydro-electric dam in Kenya's Turkwel Gorge. First, the contract for the now infamous dam, described by the opposition as the whitest of white elephants" was awarded without competitive tender. Then, according to a European Community report, the project

"Turkwel Gorge was such a slap in the face to the donor community," said one donor representative. "The strategems used were so outrageous it made everyone sick to the stomach. This was one sector where we drew the line and said 'no more'."

There have been no donorfunded power projects for the last five years, which has put



President Daniel Arap Moi: in a bellicose mood

the burden for modernising this capital-intensive sector fully on a government which is having to promise the IMF it will eliminate its hudget defi-cit. The result: no new facilities have come on stream since

Recently there have been signs that some donors may be willing to return to the sector as long as KPLC pushes through promised liberalisation and privatisation plans. The Japanese government is

funding a 75MW diesel plant six-step \$1.1hn investment programme the government wants completed by the year 2000. But when the Kenyans appealed for further outside investment at a Paris conference in September, the response was "disappointing".

World Bank officials acknowledge, with pledges falling lems he has to take them seri-\$300m short of requirements. ously. This issue is one of the The next couple of years look major brakes on investment in bleak. KPLC is promising to Kenya at the moment.

by the end of the year hy repairing damaged equipment. But the resulting small margin of capacity over demand leaves little leeway for breakdowns. drought or shutting down installations for maintenance. As for the \$1.1bn investment

plan, even if the necessary funds materialise, the first of the new plants would only start producing in 1998. And the programme is based on assumptions that demand will grow 4 to 5 per cent a year, a projection many analysts regard as an underestimate

A cement factory executive confesses to being "extremely worried" about the next two to three years when his industry is planning to expand. "This is our biggest prospective night-mare. If the donors don't come back we're heading for serious

Potential investors will also take into account the country's crumbling road network and Increasingly unreliable telephone system when deciding whether to venture into Kenya "Power is absolutely criti-cal," says Mr Charles Gardner of the East Africa Association. "A businessman can afford to be hard-headed about political developments, but when it comes to power supply prob-

Peres warns on peace dividend

By Julian Ozanne in Jerusalem

Unless Arabs states opened their economies, adapted to the new rules of market-based global economics and changed their attitude to doing business with Israel they would miss out on the opportunities of an unfolding Middle East peace. Mr Shimon Peres, Israeli foreign minister, said-yesterday.

In an interview in the run-up to this Sunday's Middle East and North African economic summit in Jordan, Mr Peres said Arab fears of future Israeli economic domination were "one of the greatest non-senses" in his life.

"Unless the Arab world departs from the old-fashioned thinking they will pay the price, not us," he said. "It is the story of old prejudices and suspicions totally unfounded

on reality."
Israel, he said, was an \$80bn economy, increasingly based on high-tech enterprises and looking towards the markets of Europe, the US and Asia, not towards the Arab statee. There is nothing like an Arab economy, there is Arab poverty. Who wants to dominate poverty?.. The only domina-tion today is hy competition." Israelis genuinely wanted to

see economic growth in the Arab world "because lower standards of living feed Islamic fundamentalism and violence". Arab nations needed to look more at what was happening in Asia and Latin America and adopt economic policies to fuel investment and trade. Policies that needed to he

implemented quickly included economic and trade liberalisation, privatisation, equal rights for women and a diversion of government expenditure from the military to education.

"There are so many opportunities in the world today that nobody knocks on the door of the Middle East.

"If the Middle East will not understand this, it will be left out and looked over," Mr Peres Countries like Egypt had to

realise quickly that "it is not Israel that is competing with them - it is another age which is competing with them and nobody can stop it". Israel did not introduce a

new economic order. Israel was simply saying: "Gentlemen, look around, there are new bells ringing all over the world. Look how fast Asia and Latin America are developing. You cannot remain dormant. You cannot win a race if you fall asleep."

The foreign minister said Israel wanted Lebanon and Syria to join moves towards regional integration and the development of a Benelux-type arrangement between Israel, Jordan and the Palestinians but that the region could not afford to wait for Syria to

make peace with Israel. Institutions like the Arab League, which had isolated the Jewish state, needed to be scrapped and replaced with new institutions like the proposed Middle East development bank, which would reflect the new political-economic reality.

MORE FLIGHTS TO MORE CITIES IN ASIA.



*Desrinations served by Silk Air, a subsidiary of Singapore Airlines

US may transfer embassy in Israel

INTERNATIONAL NEWS DIGEST

The US Senate voted overwhelmingly yesterday to require the US embassy in Israel to be transferred to Jerusalem from Tel Aviv by May 1999. But, reflecting concern about possible interference in Middle East peace negotiations, the legislation gives US president Bill Clinton the authority to suspend the move for six-month periods "to protect the national security interests of the US". The provision was included to avoid division following a veto threat from Mr Clinton. The issue is expected to be voted on soon by the House of

UN aid for Palestinians

The UN said yesterday it was sending survival goods for 1,036 Palestinians trapped in a desert no-man's-land between Egypt and Libya, where conditions were worsening. The deportees and Libya, where conditions were worsening. The deporters are among 30,000 Palestinians expelled by Libyan leader Muammer Gadaffi who ordered them to leave for Palestinian self-ruled areas ostensibly to expose the shortcomings of what he calls the sham peace between Israel and the Palestine Liberation Organisation.

Zanzibar recount demanded

Zanzibar's first multi-party elections, declared fair by foreign Zanzibar's first multi-party elections, declared fair by foreign observers, were in chaos yesterday after the opposition alleged wholesale rigging by the ruling party and threatened civil disobedience. Two days after Sunday's vote and with Zanzibaris still waiting to hear the result, the Civic United Front demanded a complete recount of votes for tha islands' presidency. The demand came within hours of street incidents between riot police and stone-throwing opposition

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marketing strategy in Egypt which, if successful, would be used as a model for other Mid-South American satellite project

in Buenos Aires

capacity. Because of the strong signal, of up to 50dBW, most receptor dishes would only need to be 50cm in diameter. Even in Belem, in the Brazilian NahuelSat, the Argentine and regional satellite due to be launched in 1996, is close to securing \$25m in equity participation from state-owned telepared with current requirecommunication groups in He rejected suggestions that NahnelSat would struggle to compete with cable services in Mexico, Paraguay and Uru-

According to Mr Eckart Schober, NahuelSat general manager, the project is in "advanced discussions" with Telecomm of Mexico, Antelco of Paraguay and Antel of Uruguay, which would bring total equity participation in the project close to the "critical mass" of \$100m.

Mr Schober, who represents the project's controlling partner Daimler-Benz Aerospace, said it was also hoped that some regional companies although Argentine groups were unlikely to participate.

NahuelSat, which was awarded a 24-year licence to occupy Argentina's orbital positions from 1997, will be launched by Arianne from French Guiana next September. The company will offer direct-to-home video packages in three Latin American regions: the so-called southern cone countries comprising Argentina, Chile, Uruguay, Bolivia and Paraguay, a Portuguese service in Brazil; and a Spanish-speaking service in a third region comprising most of the continent from Mexico to Argentina.

Mr Schober said direct-tohome broadcasting would take up 60 per cent of the satellite's

\$1.1bn investment project involving the manufacture of 220,000 cars a year at FSO within six years. These are the figures contained in a memorandum of

By Christopher Bobinski

Daewoo's bid to buy the state-owned FSO car factory in

Poland in the face of intense

competition from General

Motors of the US yesterday

won the support of the plant's

The council, which has a statutory duty to approve deci-

ment and government efforts to conclude a deal with the

Its decision came as Mr Kim

Woo-Choong, Daewoo's chief

executive, arrived in Warsaw

for what the government and

the South Korean company

bone will be the final phase of

Egypt enters

foreign car

reports James Whittington

ger cars by 2000.

The new Ford and Skoda models will be competing with

a group of local entrepreneurs

who have taken advantage of

the high customs duties on

imported cars to assemble

Over the past few years.

local private sector companies

have begun assembling Suzuki

Swifts, Hyundai Excels, GM

Opel Vectras, Peugeot 405s,

Citreon AXs and the Cherokee four-wheel drive, adding choice

to the ubiquitous 1970s Fiat

models still churned out by the

tive Manufacturing Company.

To add to these, a plant for

assembling the luxury Mer-

construction outside Cairo, and

talks or studies are under way

for assembly of Skoda. Dae-

woo, Kia, Nissan and BMW. Mr Raouf Ghabbour, chair-

man of Itamco, which launched

the Hyundai Excel GLS car on

the market at the beginning of

jungle, dishes of 1.2m would be

able to capture a signal, com-

NahuelSat, which is operat-

ing an interim service using

old Canadian satellites, has

signed 30 contracts running to

the year 2008. Annual turnover

is \$25m and is expected to rise

to \$50m-\$60m by January 1997.

the project are Daimler-Benz

Aerospace, with a \$11m stake,

Aérospatiale (\$10m) and Alenia

Last May, Telecom Argen-tina, which had originally

treated NahuelSat as unwel-

come competition, took a \$5.7m

stake in the project. The equity

package is completed by

Lampe Bank International of

Germany, with \$11.5m, and the

International Finance Corpora-

tion, the commercial arm of the World Bank, with \$5m.

Spazio (\$10m).

Founding equity partners in

ments of 2.5m.

Latin America

tional fee.

he heavily protected

Egyptian car market is

being given a dose of

competition. Yesterday, the local dealer of Skoda unveiled the new 1996 Combi models to

add to its range of small cars.

And tomorrow, executives from Ford are due to launch

their entire range of US and European models to the

increasingly car-hungry Egyp-

Since the last main govern-

ment control of the motor trade was lifted in December

1993, there has been increased

activity in Egypt's passenger

After years of stagnation,

industry leaders have begun

setting up dealersblps and

building assembly plants.

Passenger car sales have jumped from a low of 20,000 units in 1992 to a forecast

75,000 this year, about half of

hem locally assembled.

Although the numbers are

small given Egypt's 60m inhab-

itants, car dealers are banking

on a doubling of sales by the

year 2000 which will expand

mate current size of one pas-

Mr Michael Auld, general

manager of Ford's worldwide

export operations, said the

rapid rate of growth had

attracted the company's atten-

Ford would introduce a new

senger car per 100 citizens.

tian consumer

South Korean conglomerate.

influential workers' council.

in Warsaw

Polish car workers opt for

Daewoo rather than GM

understanding signed last August between Daewoo and the government under which the Korean company would take a 60 per cent share in the sions affecting the factory's future, voted to back manage joint venture. If Daewoo is successful, it

would almost certainly force GM to withdraw from FSO, where Opel, its German subsidiary, has a modest car assembly line which it had planned to develop.

FSO's workera' council, which represents the factory's 20,000 employees, gave its

talks on what would be a approval on condition that government negotiators strike a deal in line with the terms outlined in the memorandum. The unions and Daewoo have also agreed an employment and

> wages pact. According to the unions, it would include full employment guarantees and employee share participation for up to 30 per cent of the equity of the proposed joint venture. Failure to meet these conditions, the council says, could provoke the withdrawal of its support and jeopardise the deal.

Mr Tadeusz Soroka, a deputy industry minister and head of the Polish negotiating team, said after the council meeting he was pleased a result had been achieved which would

enable the talks to progress. He told the meeting that the price of FSO's assets was still being negotiated but that Daewoo had agreed to commit \$440m to the joint venture as part of the overall \$1.1bn investment programme. This assumed that production of the Polonez car, FSO's current product, would be maintained until 1999 while production of a

- would start in 1998. GM, meanwhile, has told the government that it is considering building a factory on a greenfield site producing 100,000 low cost cars in an investment worth DM400m (\$272m) to come on stream in

new passenger model - in the

form of full assembly from kits

WORLD TRADE NEWS DIGEST

HK and Taiwan in air accord

Taiwan and Hong Kong have ended an impasse on air-services, agreeing yesterday to double the number of carriers flying the lucrative north Asian route. Cathay Pacific, which now makes 105 flights a week on the route, will be joined by affiliate Dragon Air, which concentrates on flights to China and south-east Asia. Taiwan's national airline China Airlines (CAL), which also makes 105 flights a week on the route, is expected to be joined by EVA Airways, owned by Talwanese shipping concern Evergreen. The five-year commercial agreement has yet to be endorsed by Beijing as it will straddle

the July 1997 handover of Hong Kong to China.

The long sought route would be a boon to the five-year-old. EVA Airways, which has been struggling to turn a profit. Another Taiwanese carrier, Fu Hsing, is also keen to work the route.

Louise Lucas, Hong Kong, Laura Tyson. Taipe

China defiant over WTO terms

Beijing yesterday rejected as unacceptable the conditions set for China's entry into the World Trade Organisation. The demands exceeded "the level of China's economy and are against the basic principles of the WTO," a ministry of foreign trade spokeswoman said. Mr Mickey Kantor, US trade representative, speaking for the Quad group of industrialised economies - the US, Europe, Japan and Canada - stressed at the weekend that China's position on WTO entry could not be accepted. "All the Quad members are deeply concerned about China's failure so far to meet even the minimum criteria [for

The Chinese spokeswoman said China still hoped to enter the WTO, but expected concessions from the countries that had been keeping it out.

Pipeline to Aegean confirmed

Agreements for the construction of a 300km oil pipeline from the Bulgarian Black Sea port of Bourgas to the Greek Aegean port of Alexandroupolis will be signed by Russia, Greece and Bulgaria in November. Mr Karolos Papoulyas, the Greek foreign minister, confirmed the deal yesterday after talks in Sofia with Mr George Pirinski, his Bulgarian counterpart.

The \$668m project – which is due for completion by 1997 – will open a new route for Russian and central Asian crude oil to the west, avoiding the congested Turkish-controlled Bosporus, which has been the subject of heated debate

between Russia and Turkey. Oil will be transported by tanker from Russia's Black Sea port of Novorossisk to Bourgas from where the new underground pipeline, with a capacity of 600,000 harrels a day, will carry the crude to the Aegean. Theodore Troev. Sofia

Kia offshoot plans Brazil plant

Asia Motors, a subsidiary of South Korea's Kia Corporation, has announced plans to invest \$500m in its first car plant in Brazil. It is the third car manufacturer to arrive in Brazil this year, attracted by the country's rapidly growing economy. Asia Motors intends to produce 50,000 vehicles a year, mainly minivans, with production expected to begin in 1997.

The investment was expected to generate more than 1.000 Angus Foster, São Paulo direct jobs, the company said.

Contracts and ventures

Hughes Olivetti Telecom, a joint venture between Olivetti of Italy and Hughes Network Systems of the US, has won a contract to install and manage a European satellite telecommunications system for Opel and Vauxhall, the European carmaking sobsidiaries of General Motors of the US.

The contract, understood to be worth \$60m-\$70m, will involve the installation of the network over the next three years and its maintenance for at least seven years. It will enable Opel and Vauxhall dealers to communicate with the central office to order new cars and spare parts from stocks A Canadian consortium plans to invest \$6.6m to renovate

and operate the Hotel Tayrida in Yalta, on Ukraine's Crimean peninsula, the first large western foray into Crimea's main tourism industry. Smith Carter and Hemisphere Engineering. members of the Canadian consortium, formed the venture with the city government, local property fund and a Ukrainian Matthew Kaminski, Klev

SNC-Lavalin, a Canadian engineering and construction management group, will lead a consortium planning to build a US\$500m. 17km light rail transit system in Karachi, Pakistan The client is the national Mass Transit Authority of Robert Gibbens, Montrea



Egypt's car market surged after controls were lifted

blers had so far got an edge on imported cars. At a retail price of E251,000 (£9,600)a locally assembled Hyundai undercuts its imported equivalent, which suffers 106 per cent customs duties, by more than 30 per

But he admitted that as the government progressively lowered customs duties on imported cars - in line with Egypt's membership of the World Trade Organisation and negotiated with the European Union - it would be more difficult for the local assemblers to

We need to constantly work at efficiencies and keep increasing the proportion of local content used in the cars," said Mr Ghabbour.

"If we can do this we should gain from our cheap but skilled labour force and stay competi-

nascent industry to develop. But Mr Shafik Gabr, chairman of Artoc Group for Investment and Development, which has the Skoda dealership, is scepti-·cal of their long-term_viability.

Most assemblers are of

course keen to keep the protec-

tive barriers to allow the

brought down.'

"Because passenger cars are so capital intensive I worry that many of the local assemblers will not be able to surand technical participation when protectionist barriers are taken down," he said. Until now nearly all the

operating factories have been owned by Egyptian investors with technical assistance from the foreign car group, with the exception of General Motors Egypt, which is part owned by General Motors of the US. Japan's Isuzn Motors and Saudi and Egyptian investors.

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Motorola to raise chip sees equity boost production

Motorola, the US electronics group, will announce plans today to increase its worldwide manufacturing capacity for smartcard microcontrolle chips tenfold to 10m chips a week. The move reflects surg ing demand for the credit-cardsized devices.

Motorola, which already

Argentina, giveu estimated claims a 70 per cent market share for the microchips which cable penetration of 50 per cent - by far the highest level in form the heart of smartcards, is forecasting that the annual global market will grow from If NahuelSat secured quality programme packages, it would be able to sell these direct to the cable companies, which would pass the signal on to their customers for an addi-The remaining 40 per cent of NahuelSat's customers would be transmitters of voice and

on smartcard production.

acquired from Digital Equipment in June, bas been

under \$100m today to over \$1bn by the end of the decade. Overall Motorola is investing \$2.5bn in semiconductor manufacturing facilities this year and Mr Alian Hughes, Motorola's worldwide smartcard operations manager, said "a significant proportion" of this investment will be spent As part of its smartcard chip

expansion programme Scotmultinational's worldwide beadquarters for smartcards and will form a key focus for the new investment. Its South Queensferry plant in Scotland. adapted for microcontroller production and will begin

operations soon. "Smartcards have finally come of age," said Mr Hughes. "After 18 years of slow but steady growth the market is set to take off with a number of major applications throughout the world in fields such as bealth care, financial services

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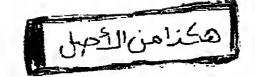
BETTER APPROACH TO BUSINESS

better) service to Tokyo.

have to do is name the day.

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Ban



NEWS: UK

What is the trend in output?

% balance

Lloyd's wins debt collection case against Names

By Raiph Atkins, surance Correspondent

ccord

state confirmed

Lloyd's of London won a significant legal victory yesterday which, if upheld in higher courts, could ease the collection of several bundreds of

millions of pounds owed by thou-sands of lossmaking members.

The High Court ruling provided a fillip for the insurance market as it seeks to implement an ambitious recovery programme launched in May in a test case, the court upbeld the "pay now, sue later" clause in

Business anger

at plan to fine

the government's legislative agenda.

and exploit illegal immigrants."

on Mr Howard to rethink the measure.

particularly damaging to small businesses.

over illegal staff

UK business leaders have expressed concern that controversial

plans to fine employers who hire illegal immigrants look set to be included in next month's Queen's Speech, which lays out

Mr Michael Howard, the home secretary, is understood to have won cabinet backing for the principle of making employers responsible for checking whether staff are illegal immigrants. One Home Office official said that the intention was

not to hound employers and the law would be framed to give honest businesses the benefit of tha doubt. "This is aimed at

those who flagrantly flout the rules and deliberately seek out

The cabinet is expected to agree to the inclusion of the proposal in the Immigration and Asylum Bill, when it meets tomorrow. But the plan was condemned by Mr Tim Melville-

Ross, director-general of the Institute of Directors, who called

"Business should not be forced to adopt the role of police-

Mr Adair Turner, director-general of the Confederation of

British Industry, said: "The proposed legislation will do noth-

ing to improve equal opportunities and may undermine

employers' commitment to implement equal opportunity pol-

Neyr Plastiques (UK), a French-based plastic components man-

ufacturer, is to set up a £16m (\$25.2m) computer controlled

production plant in Peterlee, County Durham, in the

north-east of England, making components for the automotive

and consumer electronics industry. The development,

announced yesterday, will employ 100 people when production

starts in a year's time, with another 100 jobs to be created in 1997. Construction will begin in late 1995.

The factory will mainly supply the UK market. Groupe Neyr already supplies plastic injection mouldings to Black and

Decker's Spennymoor, Co. Durham, plant and is also a second-

tier supplier to Nissan's Sunderland car plant, through its

relationship with Co. Durham-based Calsonic Climate Control Systems. The Neyr project is to receive £950,000 Regional Selective Assistance from Britain's Department of Trade and Industry.

Chris Tighe, Newcostle

as Britons continued to shop for cheap drink and cigarettes

Customs & Excise told the Treasury and civil service committee, one of the most prominent all-party Commons select committees, that the Treasury lost £220m in excise duty and VAT on alcoholic drinks and £150m on tobacco in the year to

Sir Colin Marshall, chairman of British Airways, yesterday

said that many British companies suffered from the delusion

that they were world class at marketing.

Speaking before the launch of the Marketing Council in London, Sir Colin said: "If you go around and ask chairmen and chief executives in this country what they think, they will

say that they are very good at marketing". But while this

might be true by British standards "only a handful of British

of marketing excellence. It has attracted support from more than 60 companies and financial contributions from industry

Tha Bank of England is to reform the way it manages staff

after a survey of 3,000 employees revealed that morale was low

as a result of restructuring and the closure of some operations.

Mr Howard Davies, the new deputy governor of the Bank, yesterday beld the first of three meetings for staff to give the

results of the survey, which found that many were depressed and unsettled by recent changes. In a letter to staff, Mr Eddie

George, the governor, said the survey had found that "most members of staff are proud to work for the Bank, but morale is

currently low," and senior managers wanted to work towards

an improvement. 'The change process begun 18 months ago

has been unsettling and people see considerable scope for

improvement in the way we manage the Bank," he wrote. He

said such results were "not uncommon" in organisations

The Bank lost nine of its 35 most senior officials in the

restructuring implemented by Mr Rupert Pennant Rea, its

businesses measure up to the rest of the world", he said. The Marketing Council aims to become a national champion

and government totalling £850,000.

Bank fights low morale

former deputy governor, 18 months ago.

Graham Bowley, Economics Staff

Lost excise duty reported

elsewhere in Europe where excise taxes are lower.

Rap for British marketing

French plastics plant for NE

George Parker, Political Staff

man by government abdicating its responsibility and imposing more burdens on business," Mr Melville-Ross said. He added that it would would heap costs on industry and would be

UK NEWS DIGEST

Lloyd's agents' contracts with Names which require debts to be paid even if legal action for compensation is pending. Lloyd's last night expected 370 writs to be served against Names - individuals whose assets traditionally supported the market - as part of a debt collection

exercise begun this year. However, the beneficial effects on confidence in Lloyd's were undermined when it emerged that Lloyd's is backing away from a pledge to poll members next month on its Lloyd's has already abandoned a pledge to tell individual Names this month how much the proposals are worth to them, although a less ambi-tious progress report is expected soon. Lloyd's executives believe it

Under the plan, Lloyd's would next spring transfer billions of liabil-

pensate for their losses and to drop

may encourage Names to accept the settlement offer because avoiding their debts will be harder. The rul-

But an appeal is almost certain, probably next month. Lossmaking bed ergued Lloyd's

effect of turning the insurance market into a cartel, and that the "pay now, sue later" clause was invalid. In a 58-page judgment, the court rejected that argument. Mr Justice Rix said: "I simply fall to understand...bow an obligation to pay calls can be said to distort competition." He said the idea that payments of money owing to policy-holders should be subject to deductions or await counter-claims
"is a startling business. The Lloyd's
market could not operate on that

Mr Christopher Stockwell, chairman of the Lloyd's Names Associa-tions' Working Party, said: "We are disappointed that once again we have to go to the Court of Appeal. It appears that the lower courts have not grasped the impor tance of European law and the impact that it is having on the legal

framework of our country."

But Mr Philip Holden, head of Lloyd's financial recovery department, said the ruling "represents an unambiguous warning to those who won't pay their Lloyd's losses."

Fraud probe on phoney scheme

British fraud squad officers investigating a \$200m "blocked funds letter" scam are also probing a second pho-ney investment programme which was falsely said to be guaranteed by the United Nations.

The programme, known as Codexe UN, is thought to have been sold to several wealthy individuals in Singapore, the UK and Europe, who invested up to \$500,000 each.

They were attracted to the investment programme by the claim that Codexe "is a committee of and acting for and behalf of the United Nations". However the UN has told investigators that it has no connection with Codexe.

Last week the Metropolitan Police Frand Department arrested three individuals who are thought to have been involved in brokering blocked funds letters.

All three have been placed

on police bail. UK fraud officers, with the Federal Burean of Investigation and interpol, are investigating Capital Support Corpo-ration, based in the US. They are also working with Swiss fraud investigators who have been investigating FS Financial Support of Geneva, Switzerland, which is related to Capital Support.

Prosecutors allege that blocked fund letters purportedly issued by well-known European banks were used to defraud investors. At least 60 individuals have been involved in selling the blocked funds letters around the world.

Potential Codexe investors were assured that "upon receipt of the Blocked Funds Commitment, which must be a minimum of \$100m, Codexe/ United Nations will issue their Agreement/Guarantee making the Beneficiary (the investor) an irrevocable undertaking for a gross annual percentage return of 192 per cent".

They were also told that "the Investment Programme is handled by Top 50 World Banks".

recovery plan.

would be unwise to ask Names to vote on the plan when they will have little detailed information.

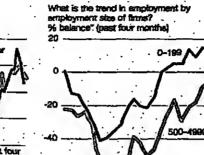
Ities into a separate reinsurance company, Equitas, leaving a "clean" ongoing Lloyd's. Names are also being offered at least £2.8bn to com-

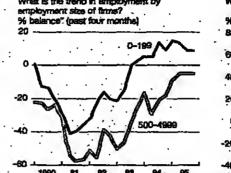
CBI survey shows shifts in industrial outlook

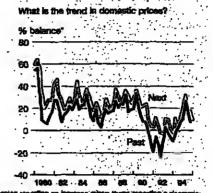
legal actions. Yesterday's High Court ruling

ing also strengthens Lloyd's hand by boosting its finances and making the plan success less important to Lloyd's long term survival

operations breach European compe-tition law because they have the







were partly offset by signs that other sectors, which had performed less well earlier in the recovery were picking up.

Aerospace, for example, saw

its strongest rise in output for

five years in the last four

months - although the balance of companies who reported

higher orders was still relatively modest at 10 per

Consequently, the sector was

one of the only areas that

reported improving optimism.

companies ere also surprisingly cheery. A positive

balanca of 46 per cent of

companies reported higher

export orders, while firms

remain relatively optimistic

about future months.

Meanwhile, textile and clothing companies said that the modest rise in output that

they had seen in the last two

years had come to an end: a

balance of 27 per cent said that orders had fallen, with the

decline expected to persist over

Food, drink and tobacco

Mixed picture for manufacturing sectors

Chemical companies, building material groups and textile producers are all reporting a less upbeat business climate, a Confederation of British Industry quarterly industrial

survey yesterday showed. Indeed, metal manufacturers have seen a sharp fall in the level of output and orders.

Nevertheless, this downturn has been partly offset by a steady upturn in other sectors, like aerospace. Meanwhile, food, drink and tobacco companies report a strong increase in output and orders. These diverse sectoral trends yesterday painted an intriguing picture of a shifting manufacturing climate.

For although the data suggested that the recent strong pace in industrial growth is easing back, the relative optimism between different business sectors has changed from the pattern seen earlier in the recovery.

Measured overall, exports continue - as during the past three years - to drive the

Gillian Tett reports that the CBI's quarterly survey shows exports continue to drive a broader upturn

example, which saw strong

growth earlier in the recovery,

reported a slowdown in the growth of orders. The balance

of companies reporting

stronger orders, compared to

those reporting weaker ones,

was 5 per cent - the lowest

Consequently, although confidence in business

prospects remained mildly

positive, it was lower than any

Metal manufacturers, which

also saw strong growth over

the past 18 mouths, reported a particularly sharp slowdown.

A negative halance of 43 per

cent of companies reported

that orders had fallen over the

past four months, while export

proportion for 18 months.

level for two years.

broader manufacturing upturn. The proportion of the 1,156 manufacturers surveyed who reported that that export have risen over the four months to October, compared to those who report they have fallen, was a positive balance of 11 per

The proportion of those who said that domestic orders were rising, compared to those reporting a decline, by contrast, was a negative balance of 3 per cent. But although this pattern

testifies to the continued significance of exports for the manufacturing sector, the export growth was markedly lower than earlier this year, Even more strikingly, some of the sectors which spearheaded the export growth

last year, seemed to be among

Chemical companies, for

the least optimistic now.

orders declined for the first time in two years, The motor vehicles sector which saw startling rates of export growth last year,

continued to report increase over the summer, A positive balance of 30 per cent of companies reported an increase in output over the last four months. However, car manufacturers

do not expect this to last: companies were more gloomy about their export prospects in the next four months than at any point during the last two years. A balance of 25 per cent companies expecting

business · prospects to deteriorate. Electrical engineering was another area where conditions seem to be turning. Companies were far less optimistic about prospects than in recent surveys, although a positive balance of 8 per cent of companies still reported that orders had risen in the last

four months. Nevertbeless, these falls

Britain claims win over EU fish

Mr Tony Baldry, the UK fisheries minister, described as "incredibly bureaucratic and cumbersome" European Commission proposals requiring fishing vessels to tell enthorities of their entry and exit from the western waters. This would have meant "most [UK] skippers spending most of their

He secured unanimous agreement from Britain's EU vessels fishing their own

regular eccount of their move-

The Netional Federation of mise "moved in the right direc-

their movements. Mr Baldry warned: "We'll be directing considerable energy to ensuring compliance by Spain with the provisions of the Irish Box. If we find a Spanish vessel in the Irish Box which is not supposed to be there, we'll detain that vessel and look into whether it was

protection rules

vesterday claimed a victory against Brussels bureaucracy over new rules to protect fish stocks when Spain and Portugal gain access to the sea west of the UK and Ireland next

It also pledged tough action against any Spanish trawlers caught fishing illegally in the so-called western waters.

time on the phone or the fax".

partners to allow member states to decide how to monitor waters.

Under the compromise, on which fisheries ministers will vote tomorrow, all EU trawlers waters will make a single report on their journey when away from their home port for less than 72 bours.

But they will have to give a The British government ments when away for longer.

Controversy has surrounded the entry of Spain - current president of the EU council to the western waters and particularly the Irish Box, the waters that surround Ireland, where fish stocks are fragile.

Fishermen's Organisations, which represents fishermen in England, Wales and Northern Ireland, said the latest compro-

But the federation said British trawlers fishing from Northern Ireland or south west England would still "be hit by the full force of the commission's reporting requirements, which are unacceptable to us". This is because they would spend most of their time in Irish or French weters and would therefore have to report

infringing EU rules."



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Regulator warns on gas contracts

By Robert Corzine

A STATE OF BEING

Ofgas, Britain's gas industry regulator, has warned that British Gas may be facing a financial "time bomb".

Ms Clare Spottiswoode, the Ofgas director general, said the company and City analysts had been too complacent in their approach to the problem of £40bn (\$63.2bn) worth of long-term gas contracts the company holds with big North

Sea gas producers.
The "take or pay" contracts,
many of which were signed before the company was prive-tised in 1986, had the potential to undermine British Gas's viability in coming years, she

These contracts require British Gas to pay a producer for gas even if it cannot then sell it on in the market.

'It's not obvious that British Gas's long-term financial position is secure," she said. "But analysts don't seem to want to think about the implications."

Many of the contracts require British Gas to pay more than twice the current spot market price for gas it no longer needs as a result of

growing UK gas competition.
The company paid £500m under the take or pay provisions in the first half of the year, and the contracts were a big factor behind a profits warning It issued last month. British Gas yesterday declined to make a formal comment on Ms Spottiswoode's statements, made in an interview. Senior executives, however, say that much of the

£2bn that has been wiped off

British Gas's market capitalisa-

ket finally recognising tha problem."

British Gas executives are still struggling to determine the size of the eventual problem. One senior executive yes-terday declined to estimate the eventual liability, other than to say: "It is a serious problem and we need relief."

Ms Spottiswoode said she did not want to be "alarmist" by raising the possibility that a future financial crisis could call into question the long-term survivability of British Gas.

Ms Spottiswoode is responsible for ensuring the financial viability of the regulated parts of British Gas, including TransCo, the pipeline company that accounts for the bulk of the British Gas's market capitalisa-tion over the past six months

company's operating profits.

She said that even if the con-

The second state of the second of the second second

can be attributed "to the mar- tracts problem proved so large as to pull the rest of British Gas down, "TransCo would not be at risk."

The regulator stressed that British Gas did not face an imminent crisis, but feared that the eventual Hability of British Gas could be more than £1bn. Mr Tim Eggar, the UK

energy minister, said the problem of British Gas contracts "is one which the industry collectively has to address". Most analysts yesterday said

they believed the problem would still be solved through negotiation. Some, however said a serious problem could arise for British Gas if it is not solved by the time full competition comes into effect in 1998.

Lex, Page 20 Turning up the heat, Page 19

BUSINESS AND THE ENVIRONMENT

project in make the Araguaia river in the eastern Amazon navigable for beart of Brazil. As well as providing easy access to the sea, it would open export routes for products such as soya which are planted 1,000 miles inland.

However, critics say the project may only be economically attractive if environmental costs are left out of the equation. Their chiaf concern is that the "water highway", as it is called, would go though one of the most sensitive areas of wetland in South America.

The Araguaia, and the Tocantins river into which it flows, are cut off from the sea hy the huge hydroelectric dam at Tucuruf. The Araguaia's lower reaches are impassable because of rapids, and during the May to October dry season the presence of sand banks means it is navigable only hy small boats.

Brazil's government hopes that with relatively modest investment most of the river can be made navi-gable throughout the year. If so, it would form part of an important transport corridor to the centre of Brazil and "hring economic and social development to an extremely promising region which is lacking in infrastructure", according to Rogerio Amado Barzellay at the government agency overseeing the

project.

The agency says it would cost about \$45m (£29m) to dredge and mark out a year-round channel for barges with draughts (the amount of water drawn by the craft) of 1m which would run for 770 miles as far as Xambioá on the lower Araguaia. From there, cargo could be trucked to the nearby towns of Imperatriz or Marabá. It could then be taken by train to the sea at São Luis, using the railway huilt hy Companhia Vale do Rio Doce, the Brazilian mining giant, to carry

iron ore from its Carajás mine. According to Mário Beznos, whose company Navhel wants to start harge services next year, river transport would be a cheap option for the important soya-growing region of Nova Xavantina. "River transport hreaks the vicious circle. Before, there was no demand because there was no transport and there was no transport because there was no demand," he says.

The region, which last year produced about 1m tonnes of soya, relies on road transport to the southern port of Paranagua, a journey which costs about \$80 per tonne transported. Navbel, which carried out a trial run earlier this year when the river was flooded and easily navigable, says the river trip from Nova Xavantina to São Luis cost \$53 per tonne. In addition, exporting via northern Brazil Is about \$6 a tonne cheaper than doing so from Paranagua, because it is downriver, making Bananal the

A plan to open one of Brazil's main rivers to barges is causing controversy among ecologists. By Angus Foster

Making

waves



2,000 miles closer to Europe. the main market.

Despite the project's financial attractions it is prompting coocern among some environmental groups. mainly because of an ecologically sensitive region ou and around Bananal island. The island consists of a land mass the size of Wales, formed where the waters of the Araguaia part and meet again 300 miles

world's higgest inland island. It is an important area of wetland and hiodiversity, and a sanctuary for rare species such as the ariranha - a South American otter freshwater alligators, pirarucu fish and various water fowl. To add further complications, the south of the island is an indigenous reserve for Karaja Indians and the north is a national park containing one of the few remaining areas of primary forest in the eastern Amazon.

Stephan Karl Fox, a consultant for Gaia, the environmental group, says it is too early to reach conclu-sions about the water highway hecause anvironmental impact studies commissioned by the Brazilian government are not expected to be completed until early next

"But the worry is that if you increase the flow of the river and make it suitable for navigation, you increase the velocity of the water and that can affect the level of the lakes in the area. It can happen very quickly, in five years even, and plants react very sensitively to changes in humidity," he says. There are similar worries about

another water highway under study further to the west. That aims to make the Paragual and Parana rivers navigable and provide access to the sea for products from central Brazil and Bolivia. The project has given rise to serious environmental concerns and criticism from groups such as the World Wildlife Fund, which fear it may lead to a draining of the Pantanal wetlands, the biggest such area in South America.

Amado Barzellay says groups such as Gaia are right to be concerned but need not worry because, he says, the increase in water flow is unlikely to be enough to cause damage. "But we need an analysis of how much speed increase and damage would he caused. Where there will he damage, we won't dredge," be says.

According to Beznos, the environmental risks are low. Navbel's harges will hegin operating only during the November to April wet season, when no dredging is needed. They will have double-layered fuel tanks to prevent oil or diesel spills. He says the encouragement of soya planting will also help restore a region which has been damaged by cattle ranching. Critics point out that soya farming can also be harmful, and there are coocerns that a hig soya project to the east of the Araguaia is lowering lhe water

Brazil's government has high hopes that water highways could be a cheap way to develop infrastructure links in the Amazon region. A policy document earlier this year stressed the need to Invest in river transport and link rivers with road and rail networks. The government also hopes that using the region's rivers would be less damaging than huilding more roads. Previous road construction in the Amazon has usually helped foment land invaons and rapid deforestation.

However, as the concerns over the Araguaia and Paraguai water highways make clear, coping with environmental questions in areas as sensitive as the Amazon is rarely without cost and oever without con-

The drive to clean up the world's air

Improvements to vehicle design have greatly reduced petrol vapour emissions. Haig Simonian reports

ew motorists will have inoticed the short, sharp hiss emitted from their cars when they put the petrol pump nozzle in their fuel tanks. Fewer still will have understood why they should be pleased by the

More may have sensed petrol stations are no longer as smelly as they were and that cars give off the occasional whiff of fuel less

These phenomena reflect efforts n recent years to reduce pollution from evaporative petrol emissions Although relatively minor compared with the quantity of exhaust gases emitted. evaporative fuel emissions have become increasingly sensitive for egislators and engineers.

Evaporating petrol accounts for about 17 per cent of the pollution from motor vehicles. Although much is given off while refuelling, even a parked car lets vapour seep through its fuel pipes and connectors. Fuel vapour harms the environment because of its high content of ozone - a hig contributor to urban smog - and the presence of benzene, which is believed to cause cancer.

A further problem is that although petrol containing less lead has reduced the risk to children's brain function, the greater use of aromatic bydrocarbou substitutes has made petrol more prone to evaporation.

Developments in car design have been similarly twin-edged. Moving fuel tanks from the extreme rear of vehicles to above the rear axle has reduced the risk of explosion in the event of a rear-end collision. But the repositioning means fuel in the tank gets hotter, increasing evaporation and making it more volatile. Even streamlining the undersides of vehicles has reduced the flow of air which helped keep fuel tanks cool. Environmentalists' sharper

focus on evaporative emissions has led to a range of environmental legislation around the world, with the US leading the way. Most takes effect between 1998 and 2000. In the US. legislation has sent

vehicle makers and component suppliers back to the drawing board. Manufacturers are devising new ways of dealing with on-board fuel vapours, while component suppliers are seeking new non-porous materials for

items such as fuel lines. The sense of urgency has been reinforced by sanctions allowed for in the legislation, including an obligatory model recall if a single

vehicle is found to be out of line. US legislation has required a fundamental rethink in the motor industry. In the struggle to reduce weight, steel has long been replaced by plastic to make fuel tanks. Now, a ouce simple moulding has been superseded by

Evaporating petrol accounts for about 17 per cent of the pollution from motor vehicles. Although much is given off while refuelling, even a parked car lets vapour seep through its fuel pipes and connectors

a much more complex laminate construction, with as many as five layers of different plastics used to prevent fuel vapour emerging.

The same has happened in pipework. Straight pipes are still made of steel, but the tight spaces of vehicles mean many pipes must be flexible, leading to the use of rubber as a standard material. Rubber has now made way for Teflon, a special type of plastic which is less permeable. Nylon, used in many locations, has been replaced with more complex multilayer plastics.

Suppliers, such as Bundy, the subsidiary of Britain's TI group, and the Higbie tubes and connectors subsidiary of ITT, have become more innovative. Even

simple components such as hose connectors have heen redesigned. with seals being rethought to reduce emissions.

It is the better seals between the fuel filler pipe and tank, combined with the installation of carbon vapour recovery receptacles on all new vehicles - to collect the vapour that forms when refuelling - that account for the hiss that occurs when the fuel filler cap is

unscrewed. Additional lamination of pipes and hoses to reduce emissions: means pipes have become bigger in diameter. But wider tubes are more difficult to bend, and some types of multilayered tubing are impossible to bend to the required

An apparent solution, using spiral, convoluted tubes, has had unwanted side-effects, since the extra tubing has increased the

risk of vapour loss. Roger Thomas, head of marketing for Bundy, says a car fuel system has about twice as much tubing as in the past because of the need to convolute. Costs have soured, as multi-layer tubing costs about twice as much as the old-fashioned tubes.

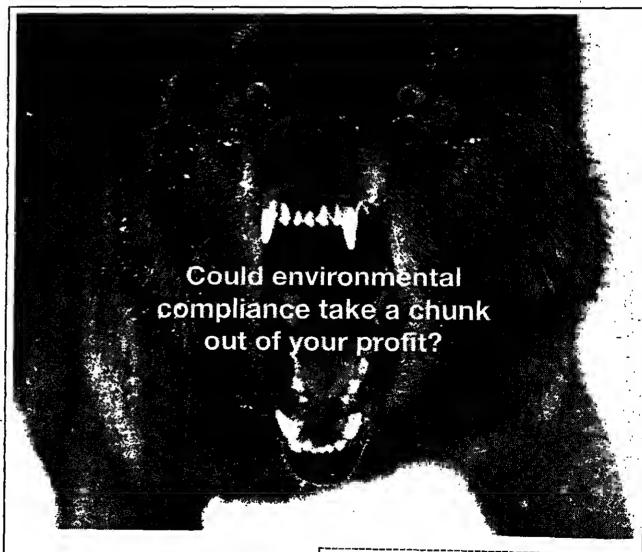
However, the drive towards more sophisticated hoses seems irresistible. Improved mixes of laminates are expected to produce wider pipes able to withstand a broader range of temperatures. Hoses and connectors will become more complex to cut permeation losses further.

Meanwhile, car makers are campaigning in Europe to avoid repeating the legal defeat they suffered in the US in the early 1990s. The US authorities ruled that the onus to reduce evaporative emissions when refuelling should fall on motor manufacturers rather than petrol

With the same issues under debate in the European Union (where legislation is in draft form) the signs are that the nil industry will have to bear the burden of

re equiping petrol stations. But whichever way the legal dice roll, someone in the motor industry is going to have to invest in a lut of new high-tech pipes.





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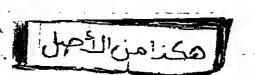
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FINANCIAL TIMES SURVEY

TAIWAN

Enduring links with a far-off land

Relations with China have improved but problems remain, writes Laura Tyson

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The sight of teenage boys break-dancing on the steps of the Chiang Kai-sbek Memorial in central Taipei is one which might have prompted Taiwan's erstwhile strongman to roll over in his grave - had be ever been properly buried.

The Generalissimo has lain in state in a temporary tomb since his death in 1976, awaiting the day when his remains will eventually be transported to his ancestral home in China's Zhejiang province and formally laid to rest.

The Nationalist leader dreamt till the last of a triumphal reconquest of the mainland he fled in 1949 after losing a civil war to Mao Zedong's communist armies. To the current generation of Taiwanese, China is but a far-off foreign land studied from textbooks.

In the last decade, the island redoubt that the Chiang family ruled with an iron fist bas been all but transformed into a prosperous and vibrant democwill be capped by the island's first direct presidential elections, to be beld next March. Martial law and a ban on the

formation of opposition politi-cal parties were lifted in 1987. The advent of democratic reforms has allowed long-suppressed Taiwanese nationalism to become mainstream and led to a vigorous public debate on Taiwan's identity and future vis-a-vis China. Rising prosperity has been a

major force behind the success of political reforms. Taiwan's economy is forecast to grow between 6 and 7 per cent this year and the manufacturing sector is performing well although financial and property markets have suffered a downturn. In recent years Taiwan has become a big overseas investor, particularly in China and south-east Asia.

The government is promoting an ambitious plan to develop Taiwan into a regional manufacturing and financial centre in Asia. The trade regime is being liberalised in order to join the World Trade Organisation. Financial markets are slowly being deregulated and restrictions on foreign access are being relaxed.



President Lee Teng-hui is expected to win next year's elections

Per capita gross national prod-US\$13,000 in 1995.

per cent - are the descendants of people who migrated from China bundreds of years ago. Although they feel cultural they reject the political system of the present-day Peopla's Republic of China. Even the offspring of those who came to Taiwan in 1949 are reluctant to succumb to Chinese rule. China justifiably fears that Taiwan is quickly drifting further away from the goal of

But at the same time, ecogiant neighbour. Despite festerspiralling costs at home have

behind: this year Hong Kong replaced the US as Taiwan's most important export destination for the first time. Roughly 75 per cent of Taiwan's exports to Hong Kong are bound for China. Taipei has banned direct air and sea links across the Taiwan strait since 1949. forcing most trade and investment to be channelled through

China is regarded as the most important future market for Taiwan's industry. The relationship has been characterised as one of mutual dependence, although no one would deny that ultimately China has more leverage than Taiwan. China is now Taiwan's single biggest investment destination and Taiwan is the second largest foreign investor in China after Hong Kong. Taiwan companies are contributing to China's economic growth and helping to generate muchneeded foreign exchange for Beijing's coffers.

Most Taiwanese - about 85 affinity with the motherland, eventual reunification.

nomic imperatives are driving Taiwan inexorably closer to its ing political tensions, Taiwanese companies escaping from invested an estimated IJS\$22bm in China over the past decade. Trade bas followed close

the British colony.

Hong Kong's reversion to Chinese sovereignty In mid-1997 will force the Taiwan government to confront the sensitive issue of its future relations



with China. China may try to use Taiwan's dependence on Hong Kong as a conduit for trade and investment as leverage to force concessions such as opening direct cross-strait shipping and flights.

Beifing's objective is to force Taiwan to accept the "one country, two systems" model to be applied to Hong Kong, which will be run as a special administrative region after 1997. Taiwan has vowed it will never accept this formula, and clearly it would spell political suicide for any Taiwanese leader to deliver Taiwan into the hands of Beijing.

Taiwanese from all levels of society have long looked not across the Taiwan Strait but to the west - especially the US for inspiration and support in endeavours in the realms of politics, economics and cul-Despite the lack of official

recognition, Taiwan maintains strong ties with both the US and Japan, which ruled the island for 50 years until 1945 and helped establish its industrial base. The higher ranks of government and industry are

replete with Taiwanese who have studied in the US or Japan, including the president. China is generally regarded hy Taiwanese as a good place to make money but ruled by an

unfriendly dictatorship best kept at arm's length. Beijing, for its part, views Taiwan as a rebellious province and its claims of sovereignty are officially accepted by all but a handful of mostly small countries. China repeatedly threatens to use force to regain control of Taiwan should it declare independence. To demonstrate those inten-

tions, Beijing carried out two series of missile tests in the sea just 85 miles north of Taiwan in July and August. The military manoguyres were designed to intimidate Taiwanese into rejecting President Lee and dampen aspirations for international recognition and independence. But the strategy backfired. While the tests did upset share prices, the president's approval rating slid only marginally in public opinion polls and once initial fears abated. Tajwanese generally becama more defiant.

The two sides began political contacts in April 1993 after more than four decades of confrontation, but Beijing suspended the fitful and less than fruitful dialogue that ensued last June in a fit of

rage over a private visit to the US by Talwan's President Lee



Peng Ming-min, Opposition leader:

Teng-hui. Talks are not expected to resume until after next year's presidential elections.

Tensions between Beijing and Taiwan could rise after the elections, which will be interpreted as a consolidation of Taiwanese independence in fact, if not in name. Mr Lee. the island's first native-born leader, enjoys wide popularity and is expected to win.

The ruling Nationalist party officially seeks eventual reunification with the mainland, but insists that China must change dramatically first. There must be parity across the strait in terms of democracy, economic devalopment and prosperity, the Netionalists say. Meanwhile, they argue, Taiwan deserves a voice in the international community and should be granted dual recognition, along the lines of formerly divided Germany and currently divided Korea.

Baijing has excortated Mr Lee in official media, accusing him of secretly seeking Taiwanese independence and saying that discussing reunification with him is "like climbing a tree to catch fish". Mr Lee

has been hinting at a summit meeting with his Chinese counterpart, Mr Jiang Zemin, for over a year, but Beiting has not responded positively. It may prove difficult for Beijing to climb down from its earlier harsb stance toward Mr Lee and deal directly with him.

In the unlikely event that Mr Lee does not retain the presidency. Beijing would be even less happy to deal with Mr Peng Ming-min, the candidate for the leading opposition Democratic Progressive party. Mr Peng, a former dissident and political exile, openly advocates Talwanese independence.

Other conservative candidates who profess to support reunification may be more palatable to Beijing, but any future president will be constrained by public opinion. Mr Lee's ruling Nationalist party may also for the first time lose its absolute majority in parliamentary elections in early December. This is likely to lead to more confrontations in the legislature and make it more difficult for the president to muster support for his





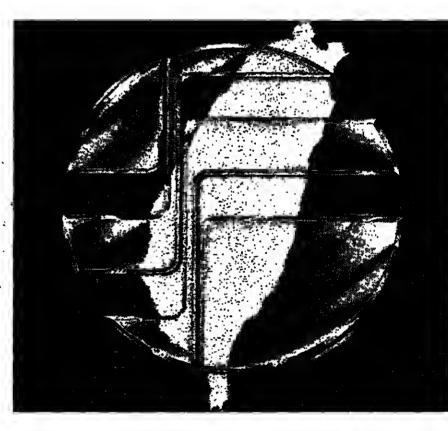
Ever had the feeling something's missing? The United Nations of today was designed 50 years ago to reflect the diversity of all nations and promote peace. Yet, at the world body's 50th anniversary celebration this year in San Francisco, one of UN's founding members, the Republic of China, is being kept on the sidelines.

Even though one missing piece might not seem to affect the overall picture that much, that piece still represents the 21 million people of the Republic of China on Taiwan, more than the population of any of nearly two-thirds of the UN membership. Until ROC citizens are given a voice at the UN, the world body can hardly be truly universal.

The people of Taiwan have much to offer the world if it will only let them give: experience in accomplishing remarkable economic growth, and peacefully achieving democracy to name just a couple. As we savor this utilestone for the UN and look to the future, doesn't it make a lot of sense to complete the

Return the Republic of China on Taiwan to the UN!

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Service industries take centre stage

How the country is trying to carve out a new role for itself to avoid being squeezed

With high growth, low inflation and very low unemployment, Taiwan's economy would appear to be ticking along nicely. But behind the rosy figures, there are a few short-term concerns, and one long-term challenge.

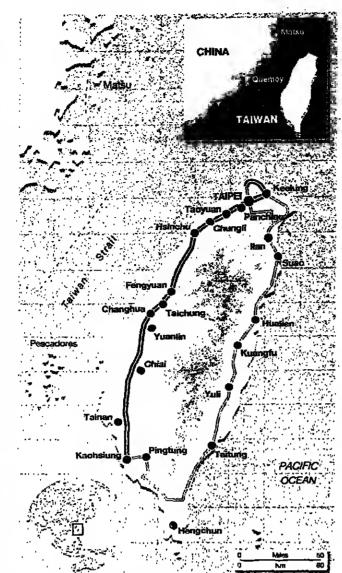
Taiwan is in danger of being soueezed between the advanced, high-tech economies of Japan and the west, and the next generation of newly-industrialised nations growing up in south-east Asia. As the euphoria of its spectacular growth over the last two decades wears off, Taiwan has to carve out a new role for

The economy is still growing at a very respectable pace - forecast, at 6.6 per cent this year, 6.5 per cent last year hut the double-digit growth period is over, never to return: the base is now too high. Per capita GNP was \$11,604 last year, compared to \$3.167 a decade ago. Wage increases bave slowed from more than 10 per cent to around 4 per cent. but the fact remains that tively expensive place to make things.

Dr Shiau Fung-Shyung, director of the ecocomic research department at the council for economic planning and development, says; "We are facing competition from underdeveloped countries with low production costs. If we cannot produce high vaiue-added products, we cannot compete with more developed

The likely solution has already been found. "We are moving towards service industries, just like developed countries. We are moving from labour intensive industries to capital and technology intensive industries," says Dr Shiau. But making that transition will be no easy matter.

"In the future, we worry about wbether the high-tech industries will continue to support sustained ecocomic growth," says Dr Shiau. "Rigbi



now, we are making a lot of effort to try to improve technology, train our labour force. and also liberalise the economy, so that market mechanisms can improve the utilisa-

So far. Taiwan has not been a world leader in developing its own technology - it bas mainly played a catch-up game with Japan and the US, relying on lower costs and mass production to give it market share. Spending on research and development has not been a priority, particularly for the many small companies.

tion of resources."

"Even in the integrated circuit industry, R&D

At our park business blossoms

expenditure is only about 4 to 5 per cent, which is significantly lower than advanced economies," says Mr Thomas Chien, general manager and economist at James Capel in Taipel. The government recognises this problem, and bas introduced a number of incentives for companies to spend more on R&D. but whether these can do the joh

Talwan's bigb-tech industries have become very successful in a short space of time and they have a high profile. But some doubt whether they will be enough to carry Taiwan's economy

remains to be seen.

KEY FACTS

·	
Area	
Population	20.1 million
Head of state	President Lee Teng-hui
Currency	
Exchange rate	end Sept. 1995 \$7=26.20 NT\$
	end Sept. 1995 £1=41.24 NT\$

EXCHINE LOC	end Sept. 1995 £	1=41.24 NTS
ECONOMY		
	1993	1994
Total GDP (US \$bn)	220.6	243.0
Real GDP growth (%)	6.5	6.5
Components of GDP (%)		
Private consumption	57.0	59.2
Total investment	25.2	23.9
Government consumption	16.0	15.1
Exports	44.2	44.1
Imports	42.4	A2.2
Annual % change in		
Consumer prices (%)	. 29	4.1
Wholesale prices (%)	2.5	. 22
Ind. production (%)	3.7	6.7
Man. production (%)	2.3	5.8
Share prices (%) 1	86.9	21.5
At year end	,	
Unemployment rate (%)	. 1.2	1.4
Reserves minus gold (US \$bn)	83.6	92.4
O/N interbank rate (%)	5.6	5.6
3 month interbank rate (%)	5.8	9.0
Stock market cap. (US \$bn) 2	124.6	160.2
Exports	84.3	92.2
Imports	-72.7	-80.3
Trade balance	11.8	11.9
Current account balance	6.7	5.7
Capital account belance	-4.7	-0.9
Main trading partners (%] 3	Exports	Imports
US	<i>26.2</i>	21.1
Japan	11.0	29.0
Hong Kong	22.8	1.8
Singapore	3. 6	2.8

(1) Annual % increase IFC index, USS terms, at end Dec. (2) IFC Stock market index. (3) Percentage share of trade 1994

Taiwan fortune,"

down.

But Mr Chlen does not

expect that fortune to arrive

quite yet. "I think the domestic

economy, at least for the next

two or three years, will slow

One of the sbort-term prob-

lems that the Taiwanese econ-

forward into the 21st century. omy faces at the moment is the "I don't think integrated circollapse of the property market, due to oversupply followcuits alone can help Taiwan have high growth in the ing a building boom in 1992-94. future," says Mr Chien. "It is a "Starting in the first half of very capital intensive industry, 1995, all that construction it does not employ a lot of peoactivity declined quite dramatically. I think the situation will ple in Taiwan. I think we will see more and more people continue to get even worse in 1996," says Mr Chien. switch to service industries. I think they will be able to bring A related problem is instabil-

recent months, several small financial institutions - mainly credit associations - have collapsed or run into serious difficulties. A few of the mainstream hanks also have uncomfortably large portfolios of had dehts, most of them construction-related. These two factors bave had a dampening effect on the stock market, and thus on domestic consumption. The government has been trying to improve the situation with a more relaxed monetary

lty in the financial system. In

And of course Taiwan, as an export-oriented economy, is never heyond the reach of external factors - both positive and negative. Mr Duncan

policy, but the effects of this

seen until next

In technology it has mainly played a catch-up game with Japan and the US

Wooldridge, an economist at Barings in Taipei, says: "For the first half of the year, export growth was at about 24 per cent year on year, which is high even by Taiwan'a standards." The strength of the Japanese yen was an important contributing factor to that increase. But now that the yen has returned to more reasonable levels, will that wipe out all the Taiwanese export gains?

Mr Wooldridge thinks not. "When there is a hig fluctua-tion in the yen-dollar exchange rate, there are big winners and losers in the Taiwan economy," he says. This is because 30 per cent of Taiwan's imports come from Japan, mainly capital equipment and components bound for the electronics industry, so the high yen creates a cost crunch for some

When the yen depreciates, then typically we see cost pressures reduce somewhat, but at the same time reduced potential for exports. When the yen appreciates, there is greater potential for exports, hut pressure on the cost side. The net result is that companies have to absorb those costs by becoming more efficient. Then when the yen goes in the other direction, they are left in a stronger position, because of the ratchet effect on increasing efficiency," says Mr Woold-

ridge.
Seizing opportunities out of adversity in that way is something Taiwanese companies are good at. Taiwan has itself already proved supremely adaptable in changing rapidly from a small. underdeveloped island dependent on agriculture into a thriving export economy. If the past is any guide, the next transition, lo an advanced economy based on technology and services, should be well within its capabilities.

■ OFFSHORE INVESTMENT: By Laura Tyson Change in scale of overseas moves

As the island reaches its growth limits, larger companies are looking abroad

Chi Mei Industrial Corporation, one of Taiwan's biggest petrochemical companies and the world's largest producer of ABS, a material used to make certain types of plastics, is mulling Its first offshore investment since its founding

As Chi Mei's founder and chairman, Mr Hsu Wen-lung, explains. Taiwan's shortage of land and labour is forcing local companies from all industries to move overseas in order to develop. Chi Mei's predicament is illustrative of a fundamental shift under way in Taiwan industry as companies reach the limits of growth on the small and densely populated

Most of Chi Mei's downstream customers from Taiwan have already moved their production facilities to China. Originally, the company planned to spend US\$120m on building a plant in China so as to be close to its main market, but that plan has been put on hold indefinitely due to a sethack in the aupply of raw materials. Now the company is considering investment projects worth a total of US\$430m in Singapore and Malaysia.

As in Chi Mei's case, the rationale for Taiwanese companies to move offshore is changing from defensive to expanstonary, says Mr Daniel Chen, chief economist at Chinatrust Commercial Bank. In the past, relocation was a matter of corporate survival for export-oriented companies facing rising production costs at home. Now the objective is more likely to be to penetrate local markets.

The scale of companies moving overseas is also changing from small export-oriented manufacturing concerns to large companies, including listed and state-run companies. The motivation for relocating internationally is different from a few years ago," Mr Chen says. "Before it was to take advantage of cheaper labour and land costs. Now it is to source raw materials and to target domestic markets.'

A recent report released by Barings, the securities house, predicts that Taiwan will hecome the world's fourth bigafter the US, China and Japan - from the number 18 position in 1993. While this may be an ambitious forecast given the economic potential of unified Germany or a (possibly) unified Korea, clearly Taiwan's economic importance will rise significantly in coming years and most of that growth will come from outside chiefly China.

The transfer of manufacturing overseas is not only fuelling Taiwan's economic devel-opment, it is also underpinning economic growth and trade in Asia. "Taiwan is playing the role of a smaller Japan in the region." says Mr Duncan Wooldridge, economist at Barings Taiwan. "Taiwanese foreign direct investment is stimulating economic growth and prosperity in the economies of south-east Asia. The transfer of Taiwanese capital and technical know-how is very beneficial to those countries, especially Vietnam and China."

Based in the southern city of Tainan, family-held Chi Mei is a relative latecomer to overseas investment. A handful of significant Taiwanese companies began investing in the US and Europe in the 1960s. A trickle of smaller companies going overseas in the early 1980s hecame a flood later in tha decade, when entire industries - especially labour-intensive manufacturing such as shoes and toys - virtually stopped production in Taiwan

and moved out en masse,

nostly to China.

According to central bank figures. Taiwan exported a net US\$33.5bn in capital between 1986 and 1993 fifth in the world. Of that, \$23.3bn was in the form of foreign direct investment, making Taiwan the 12th biggest investor. However, economics officials believe that actual capital outflow may be far bigher, although difficult to quantify. But it is in Asia that Taiwan-

1987. At the same time, property prices jumped by four times and the share price index on the domestic stock market quintupled. Under such conditions of rampant inflation, the costs of running factories in Taiwan became prohibitive for many industries. For political reasons, the

government is apprehensive about fast-rising levels of Taiwanese investment in China. The fear is that the more reliant Taiwan's economy becomes on China, the greater the leverage that Beijing will have with which to wrest concessions from Taipei. China regards Taiwan as a renegade province and seeks reunification, but Taiwan is wary and wishes to delay any union until some unspecified date in the distant future.

As a counterweight to invest ment in China, Taipet encourages Taiwanese companies to direct investments toward south-east Asia in order to

investment in a Figures in	south-east Asian or Sm, as of June 30,199	ountries 5
Country	Amount	Ranking
Thailand	5,410.72	4
Malaysia	7,416.94	2
Philippines	738.55	3.
Indonesia	7,789.20	5
Vietnam	2,630.05	
China	24,357.00	2
TOTAL	48,342,46	

ese investment has made the greatest impact. Up to the end of June this year, Taiwan companies had cumulative approved direct investments of US\$24.36bn in China and US\$23.98bn in south-east Asia, according to figures compiled hy the host countries. Taiwan is the second largest foreign investor in China after Hong Kong. The biggest foreign investor in Vietnam and the second-biggest in Malaysia after Japan, it is one of the biggest investors in Thailand.

the Philippines and Indonesia. The exodus by smaller companies moving manufacturing operations overseas was sparked by a sharp rise in the value of the Taiwan dollar - to nearly double its earlier level over a three-year period from

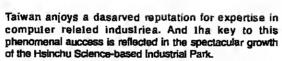
diversify risks from China. In. part due to government policy and in part due to natural inclination, companies are in fact investing large amounts in the countries of Association of South-East Asian Nations.

Vietnam, a newcomer to Asean, will perhaps be the biggest beneficiary of Taiwanese investment - not in absolute dollar terms but in terms of impact, predicts Mr Wooldridge of Barings. "The two countries have complementary strategic interests in that they both view China as tha aggressor, and the economic synergy is strong too," he says. Talwanese businesses run hy both the private sector and the ruling Nationalist party established an early foothold in Vletnam and Taiwan is the largest for-eign investor in the country.

Despite qualms over investing in China, ranging from cross-strait tensions to corruntion to political and econom stability, both government officials and business leaders freely admit that the future of Taiwan's industry and economic prosperity lies across the Taiwan strait. "There will he political confrontations between Taipel and Beijing, hut these will not result in military conflict," says Mr Chen from Chinatrust. "The major Taiwanese companies investing in China are quite optimistic about long-term prospects."

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FINANCE: By Bethan Hutton

Sprinter must wade through treacle

Are the island's plans to become the region's third financial centre too ambitious?

For a small island, Taiwan has always had blg ideas. The government's current grand project is to turn Talwan into e regional financial centre, as part of a wider plan to become a regional operations centre for shipping, airfreight, media and

It is a fine ambition, but is it feasible? The region already has two international-standard financial centres in Singapore and Hong Kong; some doubt whether there is really a role for another. Taiwan has no record in international finance; indeed, until a few years ago. its markets were closed and its banking system heavily protected. Of course, Taiwan does have some advantages: "It has everything a financial centre needs - it has more than some centres already hava," says one banker in Taipei.

....

Asian countries

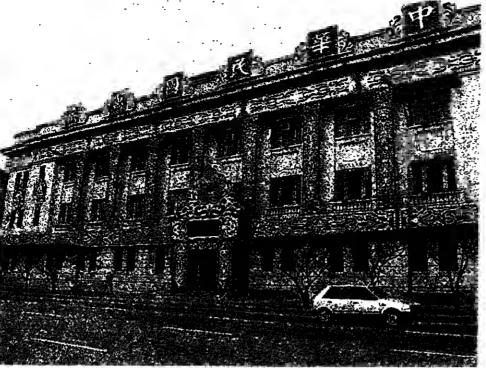
-5 L/ June 30 1995

"It has a very solid and vibrant industrial base. It has e population of 21m intelligent people prepared to be wise with their money. It has a democratic system, and e government which has shown itself to be stable. It has got the second highest foreign reserve levels in the world. It has a government which is genuinely committed to establishing a financial centre."

But he adds: "What it seems to lack is the will to blow sway those bureaucratic cobwebs and really allow a financiel centre to flourish, and it also seems to lack a rationale for becoming a financial centre. Why does Taiwan need to be a financial centre? For whose benefit?"

Another foreign banker admits: "Many of us are sceptical about the prospects." However, he adds; "But it is a useful ambition. It provides a rbetorical framework - if you want to be a regional financial centre, bere are some things von should do "

The government'a commitment to the idea has been clear in the four years since it was announced; liberalisation programmes were under way even



The Bank of Taiwan in Taipel

before that. But the pace of change is slow - frustratingly so, say both domestic and foreign bankers.

Taiwan has a model for managing change," says Mr Christian Murck, managing director of Chemical Bank in Taiwan. "You do it one tiny step at a time, incrementally, You try to manage it so that no one step shakes up anybody."

The complative effects of almost a decade of reform are quite significant, though. There is no doubt about it. things have changed," says Mr Eli Hong, executive vice-president of Taipei Business Bank. Foreign exchange controls have been relaxed, 17 new banks have been licensed, foreigners have been allowed into the stock market, foreign banks bave been put on an almost equal footing with domestic banks. A derivatives exchange is due to be set up in the next year or two, and the ban on individual foreign investors is soon to be lifted.

But the Taiwan financial authorities have not vet adopted the real free market

allowed unless expressly forbidden. Instead, specific permission has to be sought for each new product or area of business. And by the time permission has been granted, the competition is usually gearing

up to offer the same thing. New products are a grey area, says Mr Hong, and the cause for frequent arguments with the authorities. "But it is getting better all the time," be

Another gripe is the limit on expansion. Currently, banks are normally allowed to open five branches a year, unless the regulators find a specific reason not to allow them. This is not a problem for the established banks, but it frustrates the new wave of banks set up three years ago. If they are only able to expand at the rate of five branches a year, it will take them s decade to achieve real economies of scale. On the other band, more

rapid expansion could be difficult anyway: new branches need new staff, at least some of whom must have appropriate qualifications and experience. attitude that everything is and they are bard to find in Taiwan. "There is a clear shortage of people, especially

banks' expansion. If Taiwan is to become an international centre, it will need to lighten not just financial regulations. Immigration rules, for example, also need to become more user-friendly.

at the middle and higher lev-

eis," says Mr Hong. Even with-

out the limit on new branches,

this could put a brake on

At the moment, most expatristes working in Taiwan make short trips to Hong Kong, Singapore or Japan six times e year. This is because even long-term workers often have only 60-day visitor visas, It is theoretically possible to get a resident visa, and a few expatriates do have the patience and the paperwork to jump through all the necessary hoops to get one, but the majority still baulk at the bureaucracy, and resign themselves to frequent short "holidays" in Hong Kong, paid for by their employers.

The immigration rules were designed to deter low-paid, unskilled lehourers from south-east Asia, bnt Taiwan the highly-skilled professionals from around the world that both foreign and domestic

institutions need.
"What is the most important thing for an international financial centre? People. We need people not only in the industry, but also in the government, who need to have a very solid understanding of how a modern financial system is run," says Mr Hong.

One senior foreign banker says the most serious obstacle to the grand project is the entire culture. "The Chinese have one of the oldest civilisations in the world, and also one of the oldest bureaucracies in the world. In Taiwan, that bureaucracy, which has at least 5,000 years' history, has been overlaid with Japanese bureaucracy from 50 years of colonial rule.

Even though the current orthodoxy is pro-deregulation, underneath the bureaucratic sttitudes remain the same, he says. "Everyone you speak to puts his hand on his heart and says how much he looks forward to liberalisation. But when those words are put into written form, and become the regulations to enable liberalisation to proceed, at some stage they are coated in a web of regulation which means that in fact liberalisation is slowed down to the pace of a sprinter wading through treacle."

There is no official timetable for when Taiwan will emerge from its chrysalis as s fullyfledged international financial centre, but one senior official says that at the very latest, full liberalisation should have been achieved by 2010. Thet may sound a long way off, but it is still an ambitious target.

Mr Hong says: "I believe the government realises bow much Taiwan is lagging behind other financial centres such as Singapore or Hong Kong. A financial centre needs infrastructure changes, a new mindset, e critical mass of talent with proper experience. You do not expect that to happen in three, four, five or even 10 years. The industry bas been closed for so long; there are so many deep-rooted misconceptions. It takes a lot of time, and people should not underestimate the effort that is required."

Day Linin, vice-minister of finance

By Bethan Hutton

III NAWIAT

Cyclists can't go slow

A 27-year career as a hureaucrat is not the most likely of backgrounds for an ardent free marketeer and deregulator. But Mr Day Lipin, a vice-minister of finance, is a key figure in Taiwan's attempts to open its markets to foreign investors. He sees himself as one of the ministry's most "aggressive" advocates of speedy liberalisation.

He describes the process of deregulation as like riding a bicycle: if you go too slowly. yon are in danger of falling off. If his colleagues at the entral bank had the final sa in the matter, there is no doubt that, according to Mr Day's analogy, the financial reform process would soon be sprawling by the roadside.

We have to go fast, or we will lose the chance." he insists. Taiwan is not the only place in the region with an eye on attracting international financial husiness, particularly given the oncertainty over the future of the current regional financial centre, Hong Kong. We have so many competitors - Singapore, even Shanghai. It seems to ne that at least by June 1997 we have to show our

intentions." he says.

And it is not merely international prestige that be is worried about. "Our industries and manufacturing companies have to compete with those of other economies. Since in Taiwan we do not have many natural resources, if the financial costs cannot give our industries e competitive position.

then they can hardly survive in the world economy." A lawyer by training, Mr Day has degrees from three universities, including Harvard Law School. He says that one of the strongest influences on his thinking was his professor at Harvard who had spent time on the US Securities and Exchange Commission. But while be is e convert to free market ideology, Mr Day is not a blind believer in western solutions to Asian problems

His office gives a hint to his

character: it is dominated by Chinese style paintings and carvings; the only sign of western influence is a sprinkling of books on his shelves - John Train's The New Money Masters, for instance.

Mr Day has been involved with the reform process from the start - first et the burean of monetary affairs, then as chairman of the Securities and, for the last nine months closer to the heart of the hureancracy in his position administration

In 1982, when Mr Day was deputy director-general of the

To bounce a cheque used to be a crime but the rate did not go up when it ceased to be so

burean for monetary affairs, he and his colleagues drew up e three-step programme for the internationalisation of Taiwan's securities markets: the creation of securities trust companies, allowing foreign institutional investors into the market. and finally allowing foreign individuals to invest directly in Taiwan.

During his time at the bureau and the SEC, be oversaw the implementation of the first two steps, and now the final one is due to be realised by February next year. Mr Day also bopes that the remaining restrictions on foreign institutions may soon be removed, but there is opposition - notably from the central bank - to allowing completely free capital flows, for fear of the impact on exchange and interest rates. His views on the stock

market are illustrated by Day's three principles", as the local media dubbed then after his first public nments as SEC chairman The first is "let the market be

regulators should remain neutral, and not step in fust because the market is going through bad times or getting overheated. The second principle is an untranslatable se pun, which suggests that there should be a core of blue chip stocks with stable bolders. And thirdly, "let the rule of efficiency play", ie, there should be a free flow of information to the market, and any difficulty investors get into is then their own

He is pleased by the effect his reforms have had on the stock market, in particular the stabilising influence of institutional investors, but accepts that it will take a while to educate the millions of small investors about investing for value over the long term, rather than buying and selling daily on the latest rumours.

Mr Day's ministry is heir to one of the world's oldest bureaucracies. That has created attitodes which, he admits, do not adapt easily to the need to liberalise and deregulate. "The governme is used to being regarded as a guardian god," he says. They are trying to protect

everybody. But now the question is, can we protect everybody if they cannot protect themselves? A few recent experience

encourage Mr Day to think that letting go is possible, even for Chinese bureaucrats. It used to be a criminal offence to bounce a cheque, but eventually the government accepted that the rate of bounced cheques was determined by the state of the economy, and so decrine inalised it. The rate did not change at all - showing that if the government relaxes control, chaos does not necessarily follow.

Some of Mr Day's colleagues are not vet convinced, but be is determined not to let them bold back the bicycle on the road to deregulation. Mr Day and e few like-minded colleagues - are pedalling as hard as they can.

A gamble that has to pay off

The government wants revenue for social spending, without promoting gaming fever

While ordinary Taiwanese are revelling in new-found freedoms under the country's lately forged democracy, the government is plagued by the responsibilities.

The perils of populism are fast coming home to roost and the central and regional gov-ernments are left desperately scrambling to find the wherewithal to finance newly - some might say hastily - created aocial welfare programmes, including e national bealth insurance scheme, stipends for senior citizens and farmers and an expected national pension

Such programmes may be winners at the ballot box but they strain government bndgets suffering from less-thanrobust tax revenues. So financial planners have hit upon the seemingly perfect solution: lot-

Taiwan's national legislature in June passed an act authori-

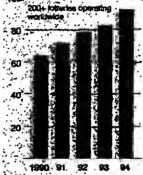
sing local governments to issue lotteries and the finance ministry to regulate them. Three municipalities - the capital city of Taipei, the southern port city of Kaohsiung and the provincial government based in the central city of Taichung - are preparing to launch separate lotieries next year.

We don't have any experience issuing lotteries, so it's difficult to estimate potential revenues," says Mr Chang Fan, finance director for the Kaohsiung city government. "Bnt certainly it will be a big help to city finances."

Lotteries have proven e boon for state coffers around the world in recent years. The most recent success has been the UK national lottery launched in late 1994, far surpassing expectations to gross some £5bn a year. But in Taiwan, eagerness to

create a new and inexhaustible stream of funds is tempered by trepidation. The island has a history of unmittgated disasters with lotteries and a repeat performance would mean certain political suicide for any official who presided over the start-np of a lottery that furned sour.

Worldwide lottery sales



"It has to be done perfectly this time," says Professor Liu Day-yang, an economist et the National Taiwan Institute of Technology and Taiwan's leading expert on gambling policy. "If something goes wrong again, there will never be a lottery in Taiwan. The market potential is there; the only question is whether the varido e good job administering the lotteries."

Many Taiwanese have a fondness for gambling and bet on everything from mah-jong to golf. "Chinese people just love to gamble but they don't like to say so, especially gov-ernment officials," says Prof Liu. But there is no legalised gambling on the island whatsoever, although the domestic stock market has earned something of a reputation as a casino for the small investors who account for 90 per cent of

daily trading volum Not surprisingly however, illicit gaming ectivities flourish across the island, often controlled by organised crime.

Legal gambling in Taiwan has been confined to two lotteries. The Patriotic Lottery was founded in 1950 and tickets were sold by handicapped people on street corners. This eme proceeded uneventfully until 1986, when an underground numbers game loosely based on the Patriotic Lottery swept the island into a gaming frenzy. "Da Jia Le" or "Everybody's Happy", often played in temples, was e potent cocktail consisting of a sophisticated numbers game spiced with Buddhism, Taoism, shamanism and superstition.

The government found itself at a loss to control the phenomenon whose revenues in a short time vastly surpassed the legal lottery, causing a surge in money supply growth - the

subject of a 1987 study by the central bank - and threatening social stability, It was decided the only way to eradicate "Da Jia Le" was to shut down the Patriotic Lottery, which was done in 1987.

in 1990 the Taipei city gov-ernment launched an instant lotto, but It was aborted after two months because it became wildly popular and thus difficult to control. Both experiences have left a negative image of lotteries in the minds of the public and many govern-

Since the Da Jia Le debacle. parallel betting on Hong Koog's government-run "Mark Six" lotto has become extremely popular in Taiwan. Annual revenues are estimated at between US\$2bn and US\$8bn a year. Taiwan bookmakers create new variations by adding and dropping numbers, livening up the action.

"It's highly sophisticated and totally illegal," says Mr Brian Sheehan, Taiwan general manager for US-based GTECH, e leading international lottery operator. "There are serious integrity problems and the public is dissatisfied. For instance, if the winnings are very big, the bookies just split with the cash. Lotteries are very much a confidence product. This is a key issue for the government." GTECH is e partner in Camelot, the consortium which won the bid to run UK

Although surveys have shown that most of the public supports a resumption of legal lotteries, not everyone thinks lotteries are the best way to augment government finances. "I don't think it is e good idea," said Mr Hn Fo, polítics professor at National Taiwan University. "It may cause undesirable social disruption and criminal activity."

It is boped that legal lotground numbers games, but that is probably optimistic. For most lotteries, including the UK lottery, the prize payout is 50 per cent of gross ravenues. In Taiwan it is likely to be closer to the maximum of 75 per cent in an effort to compete with parallel underground lotteries which usually pay out 90 per cent.

"Whoever operates e lottery in Taiwan has to be extremely careful," said Mr Sheehan. "The last thing the government here wants is to promote gaming fever."



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FOREIGN POLICY: By Laura Tyson

game of musical chairs

Why Taiwan may succeed next time in gaining a seat at the UN General Assembly

For Taiwan, life in the international arena is like a game of musical chairs. China calls the tune, while Taiwan is inevitably left standing forlornly when the music stops.

The country that the world pretends does nnt exist was roundly rebuffed for the third consecutive year last month in its appeal to gain a seat at the United Nations general assembly. But the world's states may find it more difficult to refuse Taiwan when the assembly convenes in the autumn.

In March 1996, Taiwanese voters will directly elect their president for the first time. marking the culmination of nearly a decade of political reforms which have transformed the island state from a military dictatorship into a thriving democracy. Bolstered hy a popular mandate, the new president may be emboldened to make fresh initiatives in the area of foreign policy.

Support for Taiwan's cause has been rising stowly but began to gain momentum when the Republican party, a strong backer of Taiwan. wrested control of the US Congress a year ago. Once the presidential elections have taken place, it will become rather awkward for international organisations and especially for the industrialised western democracies that run them to deny Taiwan's 21m people a role and a voice on the world stage.

For cash-strapped organisa tions such as the UN and the World Bank, which is now considering large-scale debt forgiveness for poor countries, wealthy Talwan's absence from membership has unfortunate

practical consequences. Taiwan bas roughly US\$100bn in foreign exchange reserves and a per capita gross national product expected to approach U\$\$13,000 in 1995. Economic growth bas been choose between recognising



running at 6 to 7 per cent for the last few years. Taiwan is the world's 14th biggest trading nating and one of Asia's ggest economies.

Despite Taiwan's political and economic track record, it is nevertheless unlikely that there will be substantial improvements in the country's international standing unless there is an unexpected change of heart in Beijing. China apparently regards the cross strait balance as an equation in which any gain by Taiwan represents a loss for China. No major country is willing to risk Cblna's wrath to back Taiwan's entry into international organisations or - still at the risk of even more anathema - diplomatically recognise Taipei.

Just 30 countries - most of tbem tiny - grant formal diplomatic recognition to Talwan. The largest of these is that former international pariah South Africa. Chioa, which regards the island as a rebel-beld province eventually to be brought back into the fold of the motherland, forces countries lo Beijing or Taipei.

Taipei, as the Republic of China, occupied China's seat in the UN until 1971, when the organisation switched recognition to Beljing. Most countries followed suit. After the US severed ties with Taipei in 1979 to establish relations with Beijing, Taiwan fell under a shroud of isolation and many Taiwanese, fearing for their future, decided to emigrate

Beijing is increasingly

alarmed at what it perceives as Taiwan's inexorable move toward nationhood and formalisation of nearly five decades of de facto independence. To prevent the island from openly breaking away and abandoning the official goal of eventual reunification espoused by leaders on both sides of the Taiwan strait, China has slepped up its campaign of suppressing Taiwan's presence in the international community and bullying other countries into keeping ties with Taiwan at a low

For its part, Taiwan bas become increasingly assertive. even aggressive. in its push for

international recognition in the last two years, flaunting victories however minor and making the most of its defeats for the benefit of the domestic audience. The ruling party is under pressure to boost Taiwan's international stature.

In the current democratic environment elected officials are in a no-lose situation. If efforts to expand Taiwan's role succeed, they gain public support. If those efforts are thwarted by China, officials are blameless and even gain

popular sympathy. Certainly President Lee, the architect of the policy of so-called "pragmatic diplomacy", has profited from his relatively defiant stance toward Beijing. His approval rating in public opinion polls reached a high of 80 per cent after he made a landmark private trip to the US in June. Recent polls indicate that his public support has dipped only slightly and he is widely expected to win the presidential elections in March.

However, the visit to the US did have negative consequences. It enraged Beijing and plunged Sino-US ties lo the lowest level since the two powers established diplomatic relations. China embarked on a campaign of intimidation to the hopes of scaring Taiwanese into turning against their popular president and throwing support behind pro-reunification political figures. Beijing suspended the arm's length political dialogue between the two sides which hegan in April 1993, abandoned talk of frieodship and conducted two series of missile tests in July and August just 85 miles north of

Taiwan. must tread a fine line hetween mollifying a sometimes capriclous China and asserting Taiwan's right to exist. He must also meet his countrymen's aspirations for membership of world bodies. However, at the same time. China may be lempted to use the Taiwan Issue as a pawn in internal power struggles over leadership during the post-Deog tranPROFILE

Chi Mei Industrial Corporation

The cultural mission of Mr Hsu

Tycoon Hsu Wen-hung has a dream: he wants to create a "Taiwanese Smithsonian". The notion of singlehandedly establishing a museum along the lines of one of the US's premier repositories of art and culture may seem ambitious. But the 67-year-old chairman and founder of Chi Mei Industrial Corporation, one of Taiwan's

companies, has dedicated himself to the endeavour. "I have always had a strong interest in art," Mr Hsu said in an interview at his company's headquarters outside the southern Taiwanese city of Tainan "After I became successful I thought, where is the best place to spend money? I believe it is on things with lasting cultural vaine. So long as Chi Mei is making money. we will continue to collect art and give scholarships to poor kids to study art and music.

largest petrochemical

In a country in which philanthropy is relatively rare, the soft-spoken, extremely low-profile Mr Hsu is an anomaly among Taiwan industrialists.

He may be slightly ahead of his time. Having amassed Taiwan's largest collection of western art. Mr Hsu has been frustrated for years in efforts to persuade the government to donate a site so that he can pursue his vision of a museum complex including a concert hall and a library.

One realises that Chi Mei is not a typical Taiwanese company on arriving at the plant, located in an industrial zooe with a betel-nut stand and sugar cane fields across the street. Four neoclassical white marble statues, representing the four seasons erace the front lawn of Chi Mel's headquarters building against a backdrop of the tanks and pipes of a petrochemical complex. Inside, paintings and statues are liberally displayed in elevator lobbies, halls and offices. Born into a modest Tainan

family, Mr Hn studied machinery at high school before founding Chi Mei 36 years ago. Entirely familyheld. Chi Mei is the world's largest producer of ABS, 2 petrochemical material used to make various types of hard plastics for everything from casings for electronics goods to clear dishware to headlamp covers for cars. These days, Mr Hsu spends much of his time sea-fishing, playing the violin and painting. He generally goes into the office

pieces on display are crammed into two low-ceilinged floors in Chi Mei's beadquarters building. No admission is charged to the 3,000 visitors a week. Mr Hsu personally chooses

all the pieces in the collection from selections called by several agents overseas working full-time. He does bny the occasional oriental artwork, but decided to focus on western art, in part because there was no way to compete with the Natinnal Palace Museum in Taipei,



The headquerters of Chi Mei Industrial Corporation, near Taipei

Mr Hsu wanted in study art as a child hut could not afford it, so he decided to set up a fund to give financial assistance to aspiring artists and musicians. He sets aside 10 per cent of profits each year from his company to contribute to the Chi Mel Culture Foundation which be established in 1977. The is forecast to make US\$150m profits to 1995 on revenues of US\$1.5bn, so the foundation will receive US\$15m this year for scholarships and art

purchases. An avid collector of western art, Mr Hsn decided to turn his collection into a museum. In 1992 the Chi Mei museum opened to the public. So far he bas spent nearly US860m on the collection which is growing so quickly that less than a third of the pieces can be displayed at a time. The

where the vast amount of Chinese art which the Nationalists spirited away from mainland China in the

late 1940s is stored. But he also has a mission to expose Taiwanese, especially children, to western culture. We Chinese have a bad habit," he says. "We believe that our country is the centre of the universe and our culture is the greatest. We tend to look down on cultures other than our own. I decided to collect western art because I wanted to educate Taiwanese people that western culture and art are

also great." He also wants to encourage young people to explore their interests in art and music. areas traditionally given short shrift in Taiwan's education system which emphasises rote memorisation. "Taiwanes

children are good al maths and science, but their creative abilities are undeveloped," he says. "The problem is the education system, the social environment."

The museum contains numerous pieces of westernsculpture and art dating from the Renaissance to the 20th century, in media ranging from marble, bronze, terracotta, oil, water colours and drawings. There is a natural history wing. Also on display are extensive, separate collections of antique arms and armaments and musical instruments. Among these are "four or five" Stradivarius violins which are lent out free of charge to Taiwane

performing violinists. Perhaps the most famous of the works in the collection is The Message", a turn-of-thecentury painting by British artist Thomas Cooper Gotch. When Chi Mei boughl the painting a few years ago, the fact that it would be taken outside the UK created . something of a stir.

Mr Hsu has given up on hopes of co-operating with the government to establish a proper cultural centre to house the museum. Several potential sites, including a colonial-era municipal building in downtown . Tainan, have fallen through. With Taiwan's exorbitant :. land prices, state-owned Taiwan Sugar Corporation, the country's largest landholder, is reluctant to part. with a few pearby hectares. Tainan city officials plan to develop the area around the old municipal building into a business district.

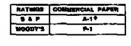
"Of course we are disappointed, but we realise they bave difficulties." Mr Hsu says, philosophically. He is now thinking of converting an nid factory building on his company property toto a temporary museum ontil more fitting surroundings can be

Laura Tyson

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Computer demand: no slowdown signs

■ ELECTRONICS: By Bethan Hutton

The industry is growing so fast that new outlets for the new capacity may not be a problem

As the world's largest producer of monitors, keyboards, motherboards and mice, and second largest maker of notebook PCs. Talwan has been well-placed to take advantage of the world boom in personal computers. It also holds sway in the field of plastic casings: Taiwan is the world's fourth largest producer of integrated circuits.

The industry has been growing at an astounding rate. In 1994. semiconductor production grew 65 per cent year-on-year. and electronics production grew 27 per cent. Investment is running at equally high levels: substantial amounts of new semiconductor capacity are due to come on line in the next two or three years. A total of 14 new IC plants are planned or under construction by Tai-

US\$14bn.

in other circumstances, market analysts would be predicttog a rapid collapse to follow the current boom, but this time some are still positive, saying that the growth in demand for computers shows no sign of slowing down. New markets - such as developing parts of Asia - may open up in the next few years, and new applications are constantly being invented for semiconductors, so finding outlets to absorb the new capacity may not be a problem. Although Taiwan is becom-

ing a powerful player in the world of electronics, it still has not found a place at the cutting edge of technology. Most companies are happy to follow trends set elsewhere in the world, acquire existing technology and produce it more cheaply for the mass market. The lack of local technology

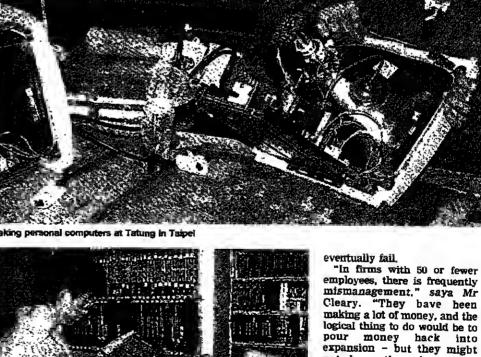
can sometimes leave Taiwanese companies vulnerable to shortages of key components and materials, and fluctuations in currencies. Many essential components - silicon wafers, semiconductor production equipment, LCDs, cathode ray - are imported from Japan, so when the yen goes through a period of excessive strength, Taiwan's manufac-

turers face pressure on costs. Taiwan is only just over 16 per cent self-sufficient in semiconductors, even though it is the world's fourth largest producer. Even after all the new semiconductor capacity comes on stream in the next few years. Taiwan is still projected to be only 37 per cent self-sufficient by the year 2000.

The rapid growth of Taiwan's electronics industry is largely due to the foresight of the government, which more than 20 years ago established the Industrial Technology Research Institute. The ITRI has played a key role in developing the industry, including setting up the Hsinchu science park, outside Taipei, which is bome to many of Taiwan's most advanced companies.

The government is continuing to support the industry, using tax incentives to belp young companies, and in particular to encourage companies to do more research and development, so as lo overcome the echnology gap.

The emphasis on science and technology in Taiwan's education system has also belped the industry develop, by producing generations of young engineers well qualified to work in high-



not have the wherewithal within the family to do the management. This is just going to accelerate the process of those companies going out of husiness

Acer is one of the few Taiwanese companies which has broke through this difficult stage to become a truly world-class computer company. Acer has quite rightly been held up as an exemplary management team. Acer is a company that has taken its knocks and been able to survive, and has learn! from lts mistakes. Consequently, it will be one of the top three or four PC makers in the world 10 years from now," predicts Mr It is also the first Taiwanese

with affordable high-tech products than cheap and cheerful plastics and T-shirts

image of products labelled "Made in Talwan" as cheap and tow quality, liable to fall apart on the first use, .. earing. Taiwan has come a long way since il first started exporting cheap plastics and textiles which often deserved their poor reputation, but because many more advanced Taiwanese products have been sold under US or Japanese brand names, consumer perceptions still lag the reality. Acer's success, however, is persuading more companies to market their own products, so the "Made in Taiwan" image may soon be associated more

company to succeed in

establishing its own brand

name worldwide, rather than

just producing computers and

peripherals under other

companies' names. Acer and

other companies from Taiwan

in the world markel have first

to overcome the lingering

wanting to promote themselves

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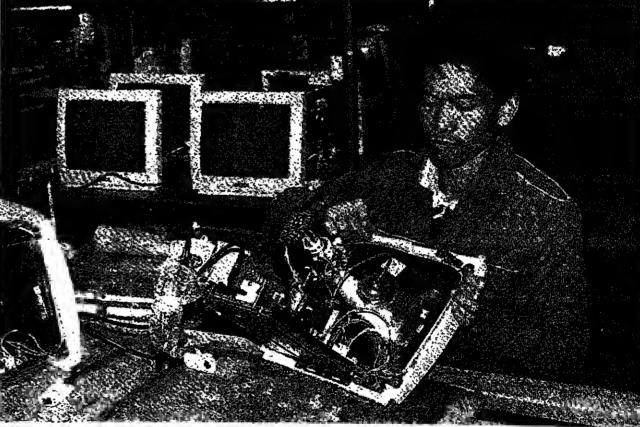
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A digital phone exchange switching board is tested at ITT Taisel, Taiwan

tech areas. Althnugh many Taiwanese go lo the US for postgraduate studies or work, most of these return home, better qualified, after a few years, even though wages and living standards in Taiwan are not up to American standards. Some of Ibose talented

Taiwan's blg names - Acer. Twinhead, Mitac, FIC, United Microelectronics, Taiwan Semiconductor Manufacturing - but many join (or set up) one of the thousands of small, entrepreneurial companies, often family-owned, working in niche markets, on which Taiwan's electronics and IT

young engineers find jobs with

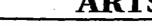
industry is based. This industry structure is both a help and a hindrance. The upside is that the companies know their markets well, and can move very fast to pick up new trends or change

is that many of them do not have the resources to carry out their own R&D, except ln terms of manufacturing processes. Also, the familybased management structure can cause problems as the company matures and grows. The owners are fiercely independent, and are often reluctant to devolve power to middle-managers who are not family members, lel alone consider selling or merging their company to creale economies of scale.

production lines. The downside

Mr Matt Cleary, electronics analyst at Peregrine Securities in Taipei, says: "There is a coosolidation under way within the PC industry, and this is going to take oul a lot of the smaller players in Taiwan." They will not go willingly, being absorbed into larger companies, and so will

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erhaps the coming digi-tal revolution will mean the death of high quality television. Maybe the ellite and cable will lead to the atrophy of terrestrial broadcasting. Perhaps. Bnt so far, in spite of all the Cassandra-like noises, some from this column, things seem to be holding up well. Indeed, if British television does change radically is the version does change radically for the worse in the next 10 years we may look back and maintain that the golden age lasted well into the mid-1990s.

When you say this sort of thing to friends and acquaintances you find yourself up against the difference between television criticism and most other sorts: everyhody has a strong opinion about televi-sion because everybody (well no. not you, of course, but everybody else) watches a lot. "Are we seeing the same stuff;" they shriek. "A golden age? Where do you find lit Jeremy Beadle and Neighbours and all those repeats - a golden age?" And yet in 2005, when Beadle and Neighbours aach have a digital channel to themselves (the repeats already have several) wet-eyed nos-talgia freaks will doubtless be crooning over the riches of the 1995 autumn season.

Television/Christopher Dunkley

'Twas a season to remember

Just imagine, they will be telling their bored and disbelieving chil-dreu, that in one and the same week we had Pride And Prejudice. Cracker and Joke's Progress. The Jane Austen was so good that a lot of us were watching the Saturday repeat as well as the Sunday original. You could hardly look for a greater contrast than Robbie Coltrane playing the police psycholo-gist in Cracker, which was all about the murder of prostitutes, but it was so well-written and produced and acted that 15m people were watching. That was a time wheo previous Cracker episodes were winning prizes all over the place. Jake's Progress was a different sort of drama series again: written by Alan Bleasdale, dealing with the

contemporary world, very sharp, very funny, although hleak when

you began to realise what it was

telling you about the way so many

people were leading their lives.

Joke's Progress was the sort of

telling us for years would not be finding a place on television for much longer. Well, Channel 4 was still doing it in 1995 and if BBC2 had stopped it was very recently. And it wasn't just drama, either, In that same week there was a terrifically good programme about the United Nations – well, almost as much about the secretary general Bontros Bontros Ghali, really. BBC2's Guardions of Choos was good hecause the producer, Amanda Theunissen, allowed her reporter, Michael Ignatieff, to make it clear how he felt about this glad-

drama - finite, the product of one

mind, not written to any formula -that critics and theorists had been

was making. And director Tim Lambert made every shot count. While Ghali flew from country to country, getting the red carpet treatment (there was a marvellously symbolic moment when we saw the red carpet blowing away

handing African tour which Ghall

after they had left), ignatieff kept watching television reports of what was going on in Bosnia. You hardly needed Ignatieff to bring out the ghastly contrast between the royal progress in Africa and the total lack of progress in Bosnia, but his comments were always spot on and crucially he never succumbed and joined the PR throng.

Ithough that was one of the hest, it was not the only excellent factual programme of the week. There was the sixth episode in the BBC's higgest documentary series, People's Century. which was showing the history of the last 100 years from the point of view of ordinary people. This was another example of the sort of series - huge, expensive, painstak-ing, learned, fascinating - which people bad been saying for years was not made any more.

And the same channel, BBC2, also gave us the first of three documentaries made by the talented Molly Dineen, in The Company Of Men. It managed to be funny and sad and dangerously telling about a group of Welsh Guards stationed in a fortified police station on the Irish border.

All those were well publicised and widely discussed, but in the same week Channel 4 devoted the third of six successiva Saturday nights to "Tribe Time", a season of programmes on what they called modern snb-cnltures" received remarkably little attention. In this particular week the subject was "Tribes On Wheels", and although the quality of the offerings varied (The Wild One with Marion Brando as a tearaway motorcyclist always was risibla and is now ludicrous) some were worth waiting for until the small hours. I Wanted To See Angels was a mannered bnt piquant Russian motorcycling movie, and Blood Brothers was the best documentary I had

ever seen about Hell's Angels (and I had seen a few) because its purpose was to understand rather than to preach or terrify.

So, wet-eyed parent, all pretty serions staff, eh? Well no, hest beloved, there was actually a lot of good funny stuff too. Some of us felt that the first programme in Channel 4's Heroes Of Comedy could heve done with more of Tommy Cooper himself and less of the solemn comment from admirers, but when it came to Joyce Grenfell during the week in ques-tion you began to see that they were really trying for a proper biography and not just a clip show. It was very funny all the same. So was Rory Bremner. By 1995 he was showing up people such as Smith and Jones as decidedly trivial. His impressions were better than ever - Bremner as Michael Howard played hy Frankie Howerd was superb - but it was his willingness to attack sacred cows that gave his

show such an edge. In the autumn of 95, with every snpermarket in the country suddenly stripped of cranberries hy besotted fans, who else would have dared lay bare the commercialism of St Della?

And if yoo were one of those who

insisted that amusing triviality was really the essence of television, you, too, were well served. Shooting Stars was a "celebrity" game show on BBC2 in which Vic Reeves and Boh Mortimer, so hafflingly unfunny in previous series, snd-denly took off and flew in a send-up of all previous game shows: "Gloria Estefan was educated at a convent run hy an incredihly fat nun with a moustache, true or false?... True . George Dawes knows the scores...Now, if we coo e dove will come down..." They Think It's All Over was a similarly tongue-in-cheek sports quiz on BBC1 in which sporting expertise was less important than comedy. If any previous show required its competitors to wear hlindfolds and identify sports personalities hy

Perhaps this is the last or the penultimate autumn season of such variety from the terrestrial hroadcasters. Perhaps not. All you can honestly say at this stage is, so far,

Ballet/Clement Crisp

Once more into the (Swan) Lake

The formula is simple: Tcbaikovsky plus a title everyone knows. The result: a happy box office. Without wishing to appear too cynical - though after watching the decline of the balletic repertory over the past two decades, anyone is entitled to feel that matters have reached a pretty pass - I record that with his new Alice in Wonderland for English National Ballet, Derek Deane has followed the formula to the

41.75

. . .

2 2 2 2

Sonthampton's sudience, crammed enthusiastically to the rafters of the Mayflower Theatre on Friday night, is proof of his acumen, (On Saturday, at Covent Garden, Tchaikovsky was also the opening shot in the Royal Ballet's new season. Once more into the

lake, dear friends, once more.)
The dictum "Never mind tha quality, feel the receipts" was ENB's crowd pleaser. Deane. underfunded for what his company does, and needing to keep his troupe alive in an artistic climate that freezes the unfamiliar, has done what he has done as well as he may. A big and serious new ballet would die the death of a thousand unsold tickets at every regional theatre. So we have Alice, which is not Carroll's Alice - a text to defeat any choreographer - but a staging that gives the public what it expects, which is Tchaikovskian tunes and the Mad Hatter. And Deane, whatever the compromises, knows that his

company will not starve. Deane's parrative follows Alice decently enough. There is the semblance of the characters, from White Rabhit to Frog Footman, and Sue Blane has realised them brilliantly in her costumes. There are two hours of gems from Tchaikovsky, set hy Carl Davis, and enlivened (one might say) in orchestration to suit the drama. There is clever production - Deane ever

resourceful - and Sue Blane's decors are no less clever in managing the dream illogicalities of the tale. (Alice's changes of size, the pool of tears, the rose-garden, admira-

bly done.) As with the Royal Ballet's nugatory Beatrix Potter, everything is as it should be for a popular success. Here is an alternative to The Nutcracker to delight adults who want to take the tots to a Christmas ballet, though I fear that this elaborate production will never fit on to the Festival Hall's grudging stage, which is ENB's customary Yuletide roost.

So why did I watch it with my heart in my boots? The cast, led by Alice Crawford's pretty heroine, work like demons. But Deane misses Alice's poetic lucidity - owed to the Rev Mr Dodgson's mathematics - and, inevitably, the wonders of its language. As never more true than with earlier Alice ballets haveshown, the words ring in our ears, but not in the dance. We see a production concerned with externals, with characters who look like the Tenniel originals, in the proper locations. What we do not see is balletic sense, for all the liveliness of the cast. And will the public care? I doubt it.

> The opening Swan Lake of the ballet season at Covent Garden on Saturday night was a vivacious affair. The first act was nearly a rave: had someone slipped Ecstasy to the assembled throng? Peasant gaiety was unrelenting, and rather too many characters were flapping and smirking as if trying to proposition a deaf-mute.

> There was also an odd subtext to Prince Siegfried's behaviour in Zoltan Solvmosi's reading. Not only does he tell his cadet chums, like Juliet to her Nurse, that his heart is elsewbere - can it be with his ghastly old sot of a tutor? -hut he seems a man nervously unsure of his identity. Solymo-



A vivacious affair: Deborah Bull in 'Swan Lake' at Covent Garden

si's over-eager manner suggests an impostor, a bead waiter with delusions of grandeur perhaps. The first act trio was splendidly danced by Dehorah Bull, Nicola Roberts and the soaring Errol Pickford.

Joyously good. Thareafter, things calmed down Miyako Yoshida, newly arrived from Birmingham and replacing an injured Darcey Bussell, was a delicate, exact Odette and an Odile of serene virtuosity, and Solymosi was a prince among partners. Their passion was dutiful, their final plunge into the lake more like bathing than love in death.

Viktor Fedotov, whom we so admire with the Kirov Ballet, urged a taut account of Tchaikovsky from the orchestra. The company performance was strong, devoted. Some of the guests at the third act ball look

shifty - the sort of people who would pay to dine with these royals - but Yolanda Sonnabend's designs make an hallucinatory setting for the tale, (Are the dancers trying to live up to them?) Be it gratefully noted that, in the centenary year of Swan Lake, the Royal Ballet's choreographic text is the nearest to the 1895 original, and fine. The elegiac last act is heart-rending.

Theatre/Ian Shuttleworth

Tudors without substance

anessa Ford's theatrical production company has in recent years been most visible in the field of "family" plays: adaptations of C.S. Lewis's Narnia books, seasonal presentations of A Christmas Carol and Treasure Island, Roy Marsden's production of Rob-ert Bolt's second Tudor history play, Vivat! Vivat! Regina, seems to be imbued with a similar ethos - it is very pretty, played in full period rig against Poppy Mitchell's huge sliding tapestry backdrops, but it takes too many easy options.

This is not attributable to Bolt, although his script does contain the occasional clinker such as "You think life is a game and you're the only one allowed to cheat". Marsden, although be choreographs the play's intercutting well, works from a directorial palette containing few primary colours. In the opening scene, Barbara Flynn as Mary Stuart and Philip Grout as her secretary are carolled into a display of irksomely over-enunciated verse speaking, with the result that when their dialogue speeds up one is battered by a hailstorm of discrete syllables. Raymond Platt is called upon to play David Rizzio as a pan-

tomine Eyetie, and David Banks doubles as a similarly cartoonish Spanish ambassador to the English court and a Lord Bothwell so hearty that he all but slaps his thigh on every other line. Sean Scanlan. however, gets away with portraying John Knox as the kind of man Ian Paisley would bave called a dangerous extremist and whose volume control goes no lower than 11.

The effect is to diffuse the dynamic at the core of the play, between Mary, Queen of Scots, and Elizabeth of England. The contention of these two women who never met, the differences and equally telling correspondences in their approaches to quality and their personal lives, have fascinated dramatists from Schiller onwards. Here, the balance in performance is tilted permanently towards the English camp. Elizabeth's counsellors Cecil

and Walsingham (Barry Stan ton and Richard Heffer) do not overplay their super-subtle Stratagems, and Janet McTeer adroitly keeps the character of Queen Beth on line through moments of comedy and crisis.

Paradoxically, the production grows more potent and satisfying in the second act precisely when its scope narrows. With Mary's imprisonment in Sheffield Castle, the drama becomes one primarily of psychology rather than action, and Flynn is allowed to regain control of her characterisation with impressive results. But, instead of salvaging the evening, it simply seems like a different play.

The Mermaid has been cruelly underused for several years. Ford and Marsden will be doing a great service if they succeed in breathing new life into the Puddle Dock space, hut I suspect they will need to offer more substantial fare than this to pull it off.

At the Mermaid Theatre, London EC4, until November 25 (0171 236-2211).

he Britten Songs is a series of nine recitals stretching into 1996, in which Britten's songs are complemented by tha music he admired, from folk song and John Dowland to

Francis Poulenc. Britten and France was the theme of last week's programme, given by the baritone Simon Keenlyside and pianist Malcolm Matineau. In the company of Fauré, Dehussy and Poulenc, Britten's cycle, Songs and Proverbs of William Blake, seemed decidedly grim. He wrote it in 1965 for Dietrich Fischer-Dieskau, who had not long since sung in the first performance of the War Requiem.

Seven brief settings of Proverb of Hell introduce six Songs of Experience, and the cycle ends with a dour, ambling setting of "Every Night and Every Morn" from Auguries of Innocence. Britten's harmonic colouring is in shades of grey, the vocal line mainly declaimed in steady note values, with the piano shadowing or descapting the voice while also punctuating it with faster figures.

Music Britten

Songs

simple descriptive character, and the song's economy is arresting. Yet it took all tha warmth of Faure and the charm of Poulenc to alleviate the prevailing gloom of Britten's work.

Poulenc's earliest songs, the

six aphoristic Apollinaire settings of Le Bestiaire, prefaced a group of favourite songs by Faure - "Spleen", "Mando-line", "Lydia", "Le secret", and the less distinctive, early "Rêve d'amour", a flowery, salonish setting of Victor Hugo. Keenlyside's beautiful voice was a shade heavy and honeyed for the particular flavour of these lovely songs; in Faurė I like something grainier, drier, but that is a matter of taste and there was little Keenlyside could do about it.

Debussy's Trois Ballades de In "The Fly", they take on a François Villon, the first of

which unlocks dramatic potential and the second brings towards its end a touch of urgency, suited him well, though the last song, which mocks the chattering women of Paris, lacked that final sardonic edge. They were enough, anyway, to suggest what a splendid Pelleas this singer

must be. The recital ended with Poulenc's cycle setting love poems by Paul Eluard, Tel jour telle nuit. The nine songs are quite serious, passionate, and far from the scatty, entertaining Poulenc of so much piano and wind music. In the sixth song, "Une Herbe Pauvre", Poulence distills a measured simplicity which strikes deep and true. In the final song the vocal line expands emotively, pushing the baritone into the tenor register, and Keenlyside sustained it strongly.

Adrian Jack

Next recital in the series: Britten and Folksong, Britten and Dowland, November 14, 6pm and 8pm Wigmore Hall (0171-935 2141).

INTERNATIONAL

AMSTERDAM GALLERIES

Rijksmuseum Tel: (020) 673 2121

The Portrait drawings, prints and photos spanning some 500 years. Artists include Van Gogh, Rembrandt and Gaugin; to Oct 29 Stedelijk Tel: (020) 573 2911 100 Years: three exhibitions to celebrate 100 years of the Stedeliik. On show is art from the Regnault Collection which includes the likes of Kandinsky, Chagali and Chirico plus specially commissioned work for the centenary; to Oct 29

OPERA/BALLET Het Muziektheater Tel: (020) 551 Moses and Aaron; by

Schoenberg. A new production directed by Peter Stein and conducted by Pierre Boulez. Soloists include David Pittman-Jannings as Moses and Chris Merritt as Aaron; 8pm; Oct 25, 28

BALTIMORE

THEATRE Center Staga Tel: (410) 685 3200 Don Juan: by Moliere in a translation by Christopher Hampton and directed by Irene Lewis; 8pm; to

■ FRANKFURT

CONCERTS Alte Oper Tel: (069) 134 0400 City of Birmingham Symphony Orchestra: Sir Simon Rattle conducts Beethoven's "Symphony No.1" and "Symphony No.3"; 8pm; Oct 31

 State Orchestra of Dresden: Giuseppe Sinopoli conducts Busoni, Schoenberg, and Tchaikovsky; 8pm; Oct 30

LONDON

CONCERTS Royal Festival Hall Tel: (0171) 928

 The London Philharmonic: with mezzo-soprano Jennifer Larmore, bass José van Dam and the London Philharmonic Choir. Roger Nomington conducts Berlioz's "The Damnation of Faust"; 7.30pm; Oct

Royal Opera House Tel: (0171) 304 40<u>0</u>0 Manon; directed and choreographed by Kenneth Macmillan to the music of Massenet and conducted by Barry Wordsworth; 7.30pm; Oct 27, 30;

 Swan Lake: choreographed by Marius Petipa and Lev Ivanov. Vikotor Fedotov/Anthony Twiner/ Barry Wordsworth conducts Tchaikovsky; 7.30pm; Oct 25, 26; Nov 3, 4 (7pm) GALLERIES Hayward Tel: (0171) 261 0127

 Art and Power: examination of the relationship between art and politics in thirties and forties Europe where culture became an arena for the struggle between Communism

Serpentine Tel: (0171) 402 0343 Big City, Artists from Africa: sculptures, drawings, images and objects by contemporary artists from several African countries; to Nov 5
OPERA/BALLET

Royal Opera House Tal: (0171) 304 4000 Götterdämmerung: by Wagner. A new production directed by Richard Jones and conducted by Bernard Haitink. Soloists include Deborah Polaski, Vivian Tierney, Jane

4.30pm; Oct 28 (4pm), 31 THEATRE Donmar Warehouse Tel: (0171) 369

Henschel and Judith Howarth;

 The Glass Menagerie: by Tennessee Williams, directed by Sam Mendes. Cast includes Zõe Wanamaker and Claire Skinner; 8pm: to Nov 5

National, Lyttelton Tel: (0171) 928

● La Grande Magia: by Edouardo de Filippo in a translation by Carlo Ardito. Richard Eyre directs Alan Howard and Bernard Cribbins in de Filippo'a comedy: 7:30pm; Oct 25 (2.15pm), 30, 31; Nov 1 (2.15pm), 2

LOS ANGELES

CONCERTS Dorothy Chandler Pavilion Tel: (213) 365 3500

 Los Angeles Philharmonic: with violinist Joshua Bell. Franz Welser Möst conducts Hindemith, Sibellus and Shostakovich; 8pm; Oct 26, 27, 28 (2pm), 29 (2.30pm)

MADRID

GALLERIES Fundación Arte y Technologica Tel: (041) 522 6645
• Incorporeo: installation by Daniel

Conogar, to Oct 29 Prado Tel: (91) 420 28 36 ● Francisco Bayeu (1734-1795): 72 sketches by the 18th century artist who was responsible for many of the frescos in the Royal Palace of Madrid: to Oct 29

MUNICH

GALLERIES Kunsthalle der Hypo-Kulturstiftung Tel: (089) 22 44 12 Felix Valiotton: retrospective of the Swiss-born Nabis group member: to Nov 5 OPERA/BALLET Bayerische Staatsoper Tal: (089) 22

 Anna Bolena: by Donizetti. Conducted by Fabio Luisl and produced by Jonathan Miller. The cast includes Edita Gruberova. Vesselinz Kasarova, Anne Salvan and Roberto Scandiuzzi; 7pm; Oct 30: Nov 2

■ NEW YORK CONCERTS

Carnegie Hail Tel: (212) 247 7800

BBC Symphony Orchestra: with violinist Nadja Salemo-Sonnenberg. Andrew Davis conducts Carter, Glazunov and Brahms; 8pm; Oct 25 Pittsburgh Symphony Orchestra: with flutist James Galway. Lorin Maazel conducts Gould, Mercandate, Maazel and

Bartok; 8pm; Oct 27 Pittsburgh Symphony Orchestra: concert performance of Wagner's "Tristan and Isolde" with conducted by Lorin Maazel. Soloists include

Struckmann; 8pm; Oct 28 **GALLERIES** Guggenheim Soho Tel: (212) 423 Dieter Appelt: retrospective with more than 60 paintings and

Carol Yahr, Heinz Kruse amd Falk

PARIS

sculptures: to Nov 5

GALLERIES Centre Georges Pompidou Tel: (1) 42 77 12 33 Hybert, Ouardona and Roudenko-Bertin: running in conjunction with "Feminine and Masculina*, three artists of different styles produce works that demonstrate the relationship between sex, the body and sexual differences; from Oct 25 to Jan 1 Centre National de la Photographie Tel: (1) 53 76 12 31 Martin Parr: British photographer

uses motorists and tourism for his inspiration: to Oct 30 Galerie Schmit Tel: (1) 42 60 36 36 "La Femme": from Corot to Chagali. 60 paintings dating from 1824-1949 by artists such a Degas Gaugin, Picasso and Renoir, to Feb

OPERA/BALLET Opéra National de Paris, Bastille Tel: (1) 47 42 57 50 Eugène Onégin: by Tchakovsky.
 A new production produced by Willy Decker and conducted by Alexander Anissimov. Soloists include Gerlinde

Lorenz, Solveig Kringelborn/Galina

Gorchakova, Anthony

Michaels-Moore; 7.30pm; Nov 4 Les Variations D'Ulysee: a new production choreographed by Jean-Claude Gallotta to the music of Jean-Pierre Drouet; 7.30pm; Oct 26, 29 (3pm)

■ VIENNA OPERA/BALLET Wiener Kammeroper Tel: (1) 512 0100

 The Turn of the Screw: by Britten. Conducted by Edgar Selpenbusch/Joan Grimalt. Soloists include Mark Duffin, Olga Schalaewa and Felix Purzner/Ingo Petersen; 7.30pm; Oct 25, 28, 30; Nov 1, 4

■ WASHINGTON CONCERTS

Kennedy Center Tel: (202) 467 4600

 National Symphony Orchestra: Sir Neville Marriner conducts Bartók, Mozart, Nelson and Beethoven; 8.30pm; Oct 26, 27, 28 Pittsburgh Symphony Orchestra: with violinist Hilary Hahn. Lorin Magzel conducts Mendelssohn and Bartók; 8pm; Oct 25
Pittsburgh Symphony Orchestra: with pianist Hae-Jung Kim. Alexander Dmitriev conducts

Tchaikovsky's "Piano Concerto" and

"Symphony No.4"; 8.30pm; Oct 30

THEATRE Ford's Theater Tel: (202) 347 4833 Eirner Gantry: Michael Maggio directs this revival of the Pulitzer Prize winning novel by Sinclair Lewis with libretto by John Bishop and music by Mel Marvin; 7.30pm; to

WORLD SERVICE BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

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10.00 European Money Wheel Nonstop live coverage until 14.00 of European business and the financial markets

17.30 Financial Times Business Tonight

Midnight Financial Times Business Tonight

Edward Mortimer



retary-general, on a tour of

Ignatieff has reported extensively on the horrors of former Yugoslavia. Yet it was clear nothing had prepared him for the evidence and aftermath of last year's genocide in Rwanda, in a school where hundreds of bodies had been left to rot, be watched Boutros-Ghali trying lamely to convince the survivors that the UN would bring the culprits to

Later he visited a prison where hundreds of the alleged culprits are being held by a state which lacks the resources to put them on trial - most of Rwanda's judges were among the victims. These prisoners too place their hopes of "jus-

lgnatieff referred to 1m deaths. That figure is too high. according to Alain Dastexhe, former secretary-general of international medical charity, but "half a million is a more than safe estimate".

Destexhe, a veteran of many humanitarian emergencies and no stranger to moral indignation, believes what happened in Rwanda is unique since 1945 in deserving the name of genocide: an organised, systematic attempt to exterminate an entire ethnic group. Yet the world community failed to recognise it as such. The US government prevented both its officials and the UN Security Council from using the word "genocide", apparently because it would trigger an obligation to intervene under the Convention on the Prevention and Punishment of the Crime of Genocide, a legal instrument

ratified by 120 states. Only days before the genocide began in Rwanda the US had completed its withdrawal from Somalia, where 30 American soldiers had been killed fewer than the number of New York taxi drivers murdered every year," as Destexhe points out. The two countries had almost nothing in common, except being on the same continent, but the Clinton administration was determined not get involved in another African conflict,

A duty shown on BBC television last week, Michael Ignatieff followed Bontros meddle Boutros-Ghali, the UN sec-

> It is too easy for member states to blame the UN for failures

especially under UN auspices. On May 17, nearly six weeks after the massacre began, the Security Council decided to establish "secure humanitarian areas" to provide security for relief operations, and to expand the UN assistance mission". The latter had been cut from 2,500 to 270 people after 10 of its members were killed, along with the Rwandan prime minister they were sup-

The most effective interventions have been the work of one state acting on its own authority

posed to be protecting. Now it was to be boosted to 5,500, who however would be allowed to use force only in self-defence. A further six weeks elapsed before a single one of these soldiers appeared on the ground. As Boutros-Ghali later complained: "Not one of the 19 governments that at that time had undertaken to have troops on standby agreed to contribute,"

Meanwhile the French government decided to intervene unilaterally, with the Security Council's blessing, and occupied the south-west of the country. By then the govern-ment responsible for the genocide was close to being defeated by the Tutsl-led Rwandan Patriotic Front.

France's action undoubtedly saved thousands of lives showing what could have been achieved by an earlier intervention throughout the country - but it also covered the retreat of the government forces, among whom were most of the organisers and perpetrators of the genocide. Many regrouped in refugee

camps in Zaire where, fed by a massive international relief operation, they have been preparing to renew the war, and no doubt the genocide as well. Alain Destexhe had long

believed that governments were funding his and other humanitarian organisations as a substitute for meeting their own political obligations. The Rwanda experience, which he describes in an angry and eloquent book,* finally convinced him of "the limits of humanitarian action". He has now left the charity and gone into Belgian politics.

As both be and Ignatieff have understood, blaming the UN is too easy. It is the member states, not the UN as an organisation, which have the power to intervene - and that power brings with it responsibility for the consequences if fail to use it. Whether they intervene under the UN's aegis or not is a secondary issue. Most effective interventions in recent times - for instance those of India in East Pakistan (1971), Vietnam in Cambodia (1978), Tanzania In Uganda (1979), or the US in Grenada (1983) - bave been the work of one state, usually a

neighbour, acting on its own authority. Such interventions are 'humanitarian" in the sense that they serve a humanitarian purpose, even if they serve a national interest of the intervening state as well. But an effective military intervention cannot confine itself to purely humanitarian action in the sense of directly relieving suffering. It needs to be clearly political, involving the use of force to neutralise whoever or whatever is threatening the security of people.

If military forces are confined to protecting relief workers, or carrying out relief work themselves in a violent environment, they are condemned to an impossible mission, because it will never be clear how much force they are sup-posed to use. That error has been the root of the UN's "failure" in both Somalia and Bosnia, which has overshadowed the world, and so alienated the main troop-contributing countries that it is now no longer possible to raise a credible UN force, even for the prevention

of genocide. Rwanda and Genocide in the Twentieth Century, Pluto Press £7.95 paperback, £25.00

n its short history, Daimler-Benz Aerospace (Dasa), the hub of Germany's defence and aerospace industry, has carried out so many restructuring plans that it has become difficult to disentangle one from another. This week's announcement of 8,000 job losses was supposed to be part of a final restructuring to put Dasa on a secure footing and enable it to survive

with a strong D-Mark. However, the plan was not as drastic as anticipated. Earlier leaks suggested there would be as many as 15,000 joh losses. Of the 8,000 eventually announced, 3,000 had already been planned and I,000 will simply be "outsourced" through the sale of plants. Dasa's announcement also assumes an exchange rate of DM1.35 to the dollar, which leaves little room for manoeuvre given yesterday's rate of

DM1.387. The first question that arises from this programme is whether it will help the lossmaking company achieve its aim to hecome profitable hy 1997. Most financial analysts are sceptical, if only because of Dasa's unreliable record in the past for forecasting both the exchange rate and demand conditions in its own industry. A further obstacle to the suc-

cess of the restructuring is the poor performance of Fokker, the Dutch aircraft maker majority-owned hy Dasa. Dasa's control over its Dutch sthling is limited, because the contractual relationship between the two allows Fokker management the final say in most strategic decisions, including the level of employ-

Dasa is locked in negotiations with the Dutch government about a refinancing package to secure Fokker's medium-term viability. But the Dutch government has so far proved reluctant to contribute "a substantial amount" in cash - a demand that Mr Manfred Bischoff, chief executive of

Dasa, reiterated this week. Nor has the German government shown much enthusiasm for supporting Dasa, beyond giving the company financial help through existing and proposed research and technology programmes.

It is not just Dasa's short-term profitability that is at stake. The recent financial history of Dasa has been so disappointing that German industrialists and politicians fear that the country's aerospace industry may be in terminal decline and may be impossible to rescue even with The German aerospace group's latest restructuring may not go far enough, says Wolfgang Münchau

All change at Dasa vet again

the most radical restructuring. Dasa's latest announcement comes at a time of intense debate over Germany's industrial future. Daimler-Benz, Germany's largest company and owner of both Mercedes-Benz and Dasa, illustrates both the successes and failures of industrial policy.

In Mercedes-Benz, Daimler owns the most profitable European carmaker. Mercedes-Benz leads an industry that has a strong tradition in Germany. a plentiful supply of skilled workers and engineers, and a business well enshioned against adverse exchange rate movements by a strong domes tic market

In Dasa, Daimler-Benz owns the largest company in its sector in Germany. But defence and aerospace had little place in West Germany in the years immediately after the second

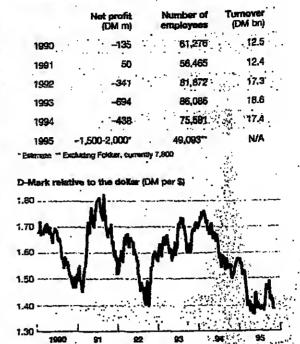
By contrast, US aircraft makers have benefited not merely from strong domestic sales, but also from technological spinoffs from the defence industry. British Aerospace, Dasa's UK

competitor, may not profit from the large home market enjoyed by Boeing or McDon-nell Douglas, but has already undertaken radical restructuring measures which are starting to bear fruit.

Dasa is involved with British Aerospace, along with Aerospatiale of France, in the manufacture of the Airbus aircraft. Rowever, the UK and the French partners have the technological edge in the division of work: Aerospatiale produces the cockpit, technologically the most challenging part of an aircraft: British Aerospace produces the wings; Dasa produces the fuselage.

Dasa came into being in the late 1980s with the strong support of the German government which wanted a big company around which to build a modern aerospace industry. It was formed after a series of acquisitions by Daimler-Benz, which included MTU, an aeroand diesel engine manufacturer, MBB, the aircraft manufacturer and German partner

Dasa: Buffeted by heavy losses



in the European Airbus consortium, Dornier, a producer of regional aircraft, and later Fok-

Dasa was essentially a grand attempt to create industrial expertise from scratch, based on the assumption that a unified Germany needed a strong aircraft and defence industry.

Mercedes-Benz, by contrast, has a strong tradition in its industry. In a big advertising campaign, Mercedes now portrays itself as a company of extreme self-confidence, bordering on arrogance: "In 1886 we invented the motor car, in 1951 we developed the crumple zone, in 1981 we introduced the airbag..." the advertisements

Dasa's portrayal of its own history reads rather differ-ently. The company's antecedents date back only to the 1980s. Only once this decade did the company announce a reach between DM1.5hn (£685m) and DM2bn this year have become a serious concern for Daimler-Benz. Its own profitability has been affected, but its commitment to Dasa may not last indefinitely - especially if the latest attempt at reforming the company ends up like all its earlier attempts.

On Monday, when Mr Bischoff announced the job cuts, be said that investors in Dasa had the right to expect a return on their equity comparable with that of other investments, "It is not unreasonable to expect to see a DM200m profit on a turnover of DM5bn or so. This is the bare minimum return an investor can expect," he said.

Such comments make sense on commercial grounds, but they are bitterly disputed by many Germans. Leading politicians, anxious to protect jobs in their states or in their towns, regularly dispute the notion that Dasa must run on

THE EDITOR

the hasis of normal profit levels. The survival of the industry is elevated to a matter of the wider national

Aerospace is a crucial industry for cities such as Hamburg and Bremen, where Dasa runs large production plants. But the same is not true for Germany as a whole. The Federa tion of Aerospace Industries says the sector employed a total of about 68,000 people at the end of 1994.

Even if the supplier industries are included, the number of people working in defence and aerospace does not begin to match employment in Germany's most important industries, such as chemicals and cars. The car industry, according to some industry analysts. ultimately accounts for about a quarter of all German jobs.

r Michael Hauger a representative of the aerospace federation, fore casts that "after 1996 the indes try will consolidate on a stable but low level". He remains confident that the industry will survive the present turmoil. "It is our aim to retain an industry with involvement in all the technical core areas," he

Dasa agrees with the official industry assessment. The company will shift some production capability abroad - per-haps worth \$450m (£285m) a year in turnover and accounting for 1,000 jobs - possibly to Asia. But Dasa will otherwise continue to operate on the same basis as before, only a little leaner.

Further problems for Dasa and its employees may lie ahead if Germany loses out in the dispute with the UK over the work share-out for the Eurofighter, the successor to the Tornado. Under the original memorandum of under standing Dasa and British Aerospace were guaranteed a work share-out of about a third each, but following the German government's decision to reduce orders for the aircraft. Britain wants to reduce the amount of work given to Dasa. The deal is the subject of a heated dispute between the two governments.

Even if Dasa's plans work out as intended - which by itself would be a significant achievement - it remains doubtful whether zerospace will ever assume the position of an important strategic industry in Germany's industrial landscape. It may not even hang on to the position it

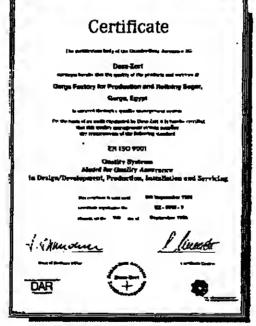
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to satisfy the international requirements of ISO 9000 standard

and after its Gerga Factory for Production and Refining Sugar had been awarded the ISO 9001 Certificate



Mr. Rodi Stoker, President of the German Chamber of Commerce presents the ISO 9001 Certificate to Eng. Mohamed Abdel Aal Khuleif Standing next to them is Dr. Gamal Nawwara, Chairman of Pemco Consulting Co.



The Equipment Factories

(Equipment for the Sugar and Food & Chemical Industries Factories)

has been awarded the ISO 9001 Certificate

In the presence of Dr. Aida Abdel Kader Abdel Salam, Head of the Industrial Quality Control Affairs, and Eng. Ali Mohamed Ali, Head of the Equipment Factories and in cooperation with Total Co., presided by Eng. Osama El-Meligui.

The Distillation Factory, Hawamdiya,

has been awarded the ISO 9002 Certificate

in the presence of Dr. Aida Abdel Kader Abdel Salam, Head of the Industrial Quality Control Affairs, and Dr. Ali Ibrahim Qotb, Head of the Chemical and Organic Industries Factories in cooperation with Total Co., presided by Eng. Osama El-Meligui.

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine').

Transladou may be available for letters written in the main internadonal languages.

UK most vociferous opponent of greater democracy in EU

From Mr Christopher Piening.
Sir, Of course we need a
European Union with a strong democratic centre, as your correspondent Tim Readman says (Letters, October 23). There is certainly truth in his contention that power in the EU is still concentrated in the hands of national governments bent on preserving the national

However, his proposition that "we" - I assume he means Britain - should be working with like-minded countries (Germany) in trying to achieve this aim takes no account of past and present realities. Certainly, Germany has long been a principal proponent of giving more power to the "democratic centre" - the European parlia-ment. But Britain, for all its democratic traditions, has been the single most vociferous

reluctant to give the parliadefender of the principle of

group preparing next year's inter-governmental conference

opponent of any such expan- lock on the practical level and

sion of "power to the people". an insult to the millions of Not only has it shown itself European citizens who go out ment more clout, it is a firm preserving member states' veto

This approach has recently been confirmed by the UK's representative in the reflection to review the Maastricht

The present British government has never been interested in making the EU more democratic. It believes, rather,that power in the EU should be repatriated, and that the same national parliaments that rubber stamp their governments' domestic decisions should play a greater role in scrutinising European legislation. This is a recipe for decisionmaking grid-

European citizens who go out every five years to elect the European parliament Luckily, despite everything,

the European parliament does have some measure of democratic control, and nowhere more so than in controlling the EU's budget. It plays an active part in drawing up the hudget, with real power to influence where money is spent, and has the ultimate sanction of being able to reject the whole budgetary package if the Council won't agree to its modifications. And its budgetary control committee has long played a key part in identifying and remedying misuse of EU

Christopher Piening, Jackson School of International

Studies University of Washington, Seattle, WA 98195-8650, US

Drugs exemption should end in Spain

Sir, I should like to clarify your article, "Spanish drugs industry sets its sights against lifting ban" (October 17), commenting on the ending of the restrictions covering the export of pharmaceutical products from Spain. It is my understanding that, to date, the Commission has not issued any official comment which would indicate an interpretation of the moratorium as expiring on December 31 1995.

From Mr John D. Barker.

tice Jacob that the termination date under Article 47 was October 7 1995 remains the legal Additionally, however, your article did not highlight the fundamental principle that is

at stake in drug company

The position, therefore, is that

the recent decision by Mr Jus-

the EU pharmaceutical market room Spanish products. every legal means at their disposal to restrict supplies, from Spanish products. The Spanish Treaty of Acces-

sion granted drugs a 10-year period of protection from the Rome Treaty's requirements for the free movement of goods. This was specifically to allow Spain to make drugs patentable in a way compatible with the rest of the EU. The exemption was not granted to protect drug multinationals from price competition. Spain now has an effective

patent regime. Thus, now the 10 years are up, the exemption should end as envisaged when Spain joined the community. To renew the exemption is to undermine the whole principle of the free circulation of goods - this at the behest of some of the most powerful of commer-

cial vested interests. The drug attempts to continue to protect | companies bave long used

impede the free movement of drugs and thus protect their higher-price EU markets. The costs of this are paid by tax-payers, pharmacists and consumers throughout the EU.

Surely the Commission cannot allow this to happen. If they do, what kind of message does it send both to commercial interests and to the governments of those states currently negotiating EU membership?

I believe Adam Smith spoke authoritatively on the subject of businesses and their drive to create cartels. John D. Barker, chairman, Association of

Pharmaceutical Importers, 11 High Street, Wanstead, London Ell 2AA, UK

Basis of liberal aviation

From Mr Edmund Dell. Sir. I see ("Stuck on the ground". October 24) that Mr Gerald Greenwald. chairman of United Airlines, has described the Bermuda II civil aviation treaty between the US and UK as "the worst mistake in the history of US international aviation negotiations". I cannot say that I am greatly distressed. As secretary of state for trade, I denounced Bermuda I in June 1976 and was responsible for the negotiation of Bermuda II. I had come to the conclusion that Bermuda I, negotiated in 1946 at a time wben the UK was weak and soliciting a large loan from the US, gave excessive advantages to US airlines; and that American talk of "open skies" was bumbug. I concluded that, in the civil aviation relationships between the US and UK, we should start again.

The result was Bermuda II. agreed to resentfully by the US administration, and regularly condemned by heads of US airlines who found that they had lost freedoms that they bad assumed were theirs by right." Bermuda II, condemned at the time as restrictive, has in fact provided the basis for progres sive liberalisation, but on a reciprocal basis. It was under Bermuda II that I authorised the commencement of the Laker Skytrain services to New York. The liberalisation has been of benefit to travellers. The reciprocal basis has protected the interests of UK airlines. So f hope it will continue until the day arrives where there are genuinely "open skies", when, in other words, foreigners can develop services within the US and invest in US airlines as freely as they can in US chemical companies. Edmund Dell 4 Reynolds Close, London NW11 7EA, UK

Learn the language of the global information network

From Mr David Morgan. Sir, As I travel abroad a lot on business, I read the article Travellers on the Infobahn start to speak in tongues" (October 23) with interest. One of the problems with the

that from time to time foreigners are going to use it, and foreigners being foreigners they will want to speak in their own language. A similar problem is encountered when one crosses the channel to

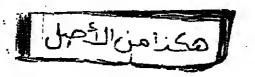
encounters hordes of foreigners intent on speaking French,

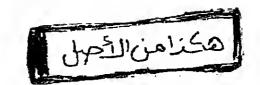
German, and so on. f would not advocate a sur-

render of British tradition, language and values to facilitate global information network is mainland Europe; again one Euro-superstate, but surely the Apon BS23 IEE, UK our incorporation into the vast

maxim "when in Rome" must apply even to the most patriotic of us at times? David Morgan, Flat 2

53 Walliscote Road,





FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Wednesday October 25 1995

The trouble with Quebec

For a country with no external by fedaral provincial rivalry. enemies and a commitment to free trade, there are no economies of scale in nationhood. That thesis put forward by Forbes magazine a few years ago - may be about to be tested in Quebec. which votes on Monday whether to authorise its government to declare independence from Canada.

Quebec fits the Forbes thesis. It possesses the cultural attributes of nationhood; it is not threatened from outside; and it promises, if independent, to seek to join the North American Free Trade Area. Why then does the prospect of its independence arouse such disfayour in the rest of the world? Concern is felt most strongly in financial markets: after confidently expecting a no vote, investors took fright this week when it seemed the debate might be going the separatists' way.

Partly, no doubt, outsiders share the exasperation with Quebec so prevalent in English-speaking Canada. The country, after all, has gone far to accommodate the concerns of its French-speaking citizens, and Quebec itself has been transformed since the separatist campaigns began in the 1960s. Partly, the world shares a sentimental approval of Canada -Mounties, bi-culturalism, slightly boring decency - which independence for Quebec would undermine. If tolerant Canada cannot share power across a linguistic divide, what hope is there for

more bitterly riven societies? And partly, there is the problem of getting there from here. Even if an independent Quebec made sense, the transitional costs would be enormous - not merely for its and Canada's citizens, but for all bolding Canadian or Quebec assets. The difficulties would aggravate the long-term crisis in Canadian public-sector finances, itself partly caused

What Quebec wants, most of all, is to be publicly acknowledged as special within Canada. This desire is strong: it explains the paradoxical situation in which a majority of the province's population could end up voting for a separation they do not believe will happen, from a country of which they are

proud to be citizens. If Quebec votes yes in the refer endum, its government will seek to negotiate a more advantageous relationship with the rest of Canada; if the talks fail, independence is supposed automatically to follow. A narrow "yes" vote on Mon-day - the most the separatists can bope for - would in practice be the signal for a bad-tempered and probably inconclusive wrangle. Bad temper is also guaranteed by a defeat for the separatists.

In the background is a serious issua for all federal states: the relationship between the centre and the regions, now that the tide has turned against ever-expanding government power. Even where nationalism is not an issue - as in the US and the rest of Canada local governments are demanding a new relationship with the cen-tre. Simultaneously, budget constraints are depriving central governments of their most potent weapon, the power of the purse.

The emotional force behind the Quebec campaign is undoubtedly the nationalist identity of the province's French speakers. It is to be hoped that they vote to preserve the Canadian federation, for both practical and idealistic reasons. But however the vote goes, there is a message for politicians alsewhere: the economies of scale of nationhood are no longer automatically accepted. The regions are getting restless; and where that restlessness mingles with nationalism, the combination is

Prudential step

Competition for deposits in the UK banking market is fierce. The mortgage lending business is suffering from the collapse in house prices. Why, then, is Britain's biggest life insurer planning to diversify further from its traditional business by establishing a deposit and mortgage lending operation?

It is, of course, wiser to go into to the bottom than the top. The Prudential learned that lesson the hard way with its disastrous diversification into estate agency; and with hindsight it may have been fortunate to have been rebuffed in an earlier approach to the Skipton Building Society when the housing market was still buoyant. But the real explanation for the proposed move is that the logic of the financial services revo-Intion points firmly in the direction of combining the traditional functions of banking and life

In a liberalised market where the old regulatory barriers between different financial functions have been dismantled, licenced poaching becomes the order of the day. And the best way for a dominant institution like the Prudential to defend an existing clientele is to offer it a fuller range of services in as cost-

effective a manner as it can. At present only one in 12 Prudential customers has a mortgage arranged by the big insurer, which

leaves considerable room for expansion. And more than £1bn a year of cash from maturing poli-cies is paid mainly into deposit accounts with others. That, too, could be partly recaptured once Prudential obtains a deposit-

The insurers' biggest advantage in this deregulated market is thet nev do not carry the head inherent in a branch network. They can thus undercut the banking competition if they wish, which means market share can be profitably increased even if overall market conditions remain flat. The Prudential's move is, in effect, the other half of the story about rationalisation in the high street. By confronting banks with potential low-cost competition, insurers make branch closures and redundancies inescapable. The insurers' big disadvantage

in financial services is that they cannot give customers easy access to cash. Significantly, the Pruden ttal is not following Midland's First Direct in offering current accounts. At least, not yet. But even a limited move into branchless banking by an insurance institution with 6m customers is a historic landmark. The resulting acceleration in competition will ultimately benefit shareholders and consumers, although the short-term outlook for bank employees is not a comfortable

Major and Menem

The meeting of Mr John Major, British prime minister, and Mr Carlos Menem, president of Argentina, the first between leaders of the two countries since the 1982 Falklands war, is an important symbol of rapidly improving relations between the two govern-

It follows a landmark agreement last month on oil exploration in the disputed Faiklands waters and precedes a likely deal on fisheries welcome steps towards defusing tensions in the south Atlantic, to the benefit of Argentina, Britain and the islanders themselves.

The oil co-operation agreement in particular aligns the economic interests of Argentina, Britain and the Falkland islanders in a way that will make it more difficult for conflict to recur.

Oil was the most difficult issue for the two governments, because it directly raised the question of the islands' sovereignty. Since oil royalty payments can only be levied by a sovereign government, an agreement to share royalties would have been tantamount to each side conceding the legitimacy of the other side's claim to sover-

eignty.

The accord is therefore constructively ambiguous. Both governments officially deny the right of the other to levy royalties. Both will levy royalties - Argentina possibly in its role as the onshore supply base for the oilfield. But to avoid scaring off the oil companies with excessive royalties, they separately make it clear that the combined tax regime will leave the region attractive compared with other similar exploration areas.

Whether this ambiguity will be viewed as constructive by oil companies will not fully be known until the Falklands licensing round ends next July. In any case, its practicality will not be tested until oil starts flowing in commercial quantities in five or so years time - if indeed oil is found. By this time, UK-Argentine relations may have advanced to the point where alternative arrangements prove possible.

The two leaders have also put their weight behind the negotia-tion of a long-term agreement on fishing, arrangements for which are at present negotiated annually. This will not be easy: Argentina's commercial interest has grown rapidly to the extent that it exported more fish than meat last year. Given high-level backing. however, a deal is likely soon. The British government has also agreed to discuss lifting the UK

arms embargo on Argentina. If these accords work, as they should, they provide a framework for the Falkland Islands that should operate at least until oil starts flowing. They may also, by building mutual confidence, bring closer a lasting solution to the sovereignty question.

the property of the second control of the se

wo years ago British Gas was comfortably in control of a captive market of 18m UK households and was the dominant supplier of gas to British industry. It had survived a bruising inquiry into the industry by the Monopolies and Mergers Commission and believed that it could compete effectively in a residential market which the government had decided to open

mpetition in 1998. In the course of the past year, however, British Gas's assumptions have proved to be overconfident, A series of shocks have hit the indus-try as it prepares for the phased opening of the £6bn a year domestic gas market, beginning on April 1

First, flerce competition from new entrants to the market to sell gas to industry and commerce has reduced the company's market share to below 35 per cent. Second, gas prices fell sharply as companies realised that there were surplus stocks of North Sea gas equivalent to a quarter of a year's total UK supply - but British Gas was locked into long-term contracts to buy gas from the North Sea at more than twice the going rate on the spot

The financial implications of the falling prices for British Gas are such that Ms Claire Spottiswoode, head of Ofgas, the regulator, has warned that more attention will need to be given to the company's plight. "It is not obvious that Brit-ish Gas's long term financial situa-tion is secure," she says. "I'm quite concerned that if the problem is not manageabla, then we should be planning to do something about it."

Ms Spottiswoode's main concern is to protect consumers, but she also has a responsibility to ensure the financial viability of the regulated parts of the UK gas industry, especially the pipeline monopoly, TransCo, which is crucial to the introduction of competition, She warned that more surprises may be in store. "The genie of competition is out of the bottle," she said.

British Gas yesterday declined to comment on Ms Spottiswoode's statement. But last month it issued a profits warning in which it said that the "adverse effects" of the gas surplus and falling prices were likely to have "a progressively greater impact in the second half of

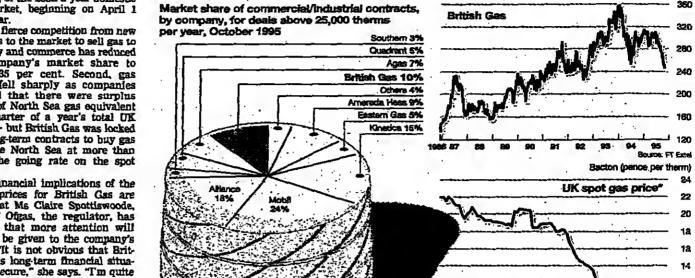
British Gas's problem is that, as a monopoly with guaranteed outlets for its gas, it signed contracts of between 25 and 30 years to buy gas from large North Sea producers both before and after its privatisa-tion in 1986. The contracts contain "take or pay" clauses which require it to pay for the gas even if it does not have a market in which to sell

ft pays an average price of around

Competitors turn up the heat

Liberalisation of the UK market is causing unforeseen problems for British Gas, says Robert Corzine

British Gas: under pressure



20p a therm for such gas. This compares with spot gas prices of between 7p and 9p a therm; prices have fallen because of an oversupply of gas from the North Sea from which there are no export

Last month British announced that it had paid £500m so far this year under the "take or psy" provisions, and that it was likely to take a charge of between £50m and £100m to cover the difference between the contracted price and the aventual likely sale price of the surplus gas.

The company blames the problem on the upheaval in the industry brought about by the government's liberalisation plans, ft wants the contracts re-negotiated.

"All the stakeholders in the industry should share the pain of its transformation," says Mr Cedric Brown, British Gas's chief execu-

Informal talks have begun between British Gas and some producers. But neither side is willing to characterise them as formal negoti-

PMD'84 to Oct 95

Ms Spottiswoode is gloomy about their prospects for success. She wonders "why North Sea producers should bother to renegotiate with British Gas". After all, she says, they have legally binding contracts. And there is no "overt" action that the government could take to force them to the negotiating table.

For some in the industry the pos sibility of one of Britain's largest industrial companies falling victim to structural changes in the UK gas market calls into question the government's decision two years ago to bring forward the opening of the domestic market from 2002 to 1998.

The 2002 target was mentioned in a Monopolies and Mergers Commission report in 1993 as the earliest recommended date for opening the gas market. But the government decided to move it forward to 1998, the date it had already selected for liberalisation of

the domestic electricity market Ms Spottiswoode this week said Mr Michael Heseltine, the former trade and industry secretary and now deputy prime minister, would never have authorised an accelerated timetable for liberalisation if be thought "it would kill off British

Oct

· Share price (pence)

Many of the problems of oversup-ply stem from actions taken by companies about the time of Mr Heseltine's 1993 decision; they wanted to challenge British Gas's domination of the domestic market and signed new contracts with North Sea producers for their own gas supplies. Some North Sea producers, including British Petroleum, Shell, and others with uncontracted gas reserves, also began supplying their own gas subsidiaries, undercutting the prices to which British Gas was committed.

British Gas blames the government for creating its quandary. "The government changed the game on us," said one senior

British Gas executive recently. The company has even investi-gated whether it has any case for taking legal action against the gov-ernment to recover losses on the contracts. However, advice from leading barristers is that winning against the government is extremely difficult, so the company is unlikely to sue.

For its part the government is still hopeful thet commercial negotiations will emerge as a solution. Some government officials, how-ever, have been critical of the way

British Gas has addressed the prob-lem, saying it was late in recognis-ing the seriousness of the issue. The government, in common with Ms Spottiswoode, rejects any suggestions that consumers may be made to pay a special levy to help alleviate the situation. "No one has put forward any suggestion that the consumers should help shoulder the burden," says Ms Spottiswoode.

be also rejects suggestions from British Gas that new entrants into the domestic gas market he forced to enter into similar long-term contracts to help reduce the surplus. Such a move would be "madness", she says. "It would only institutionalise the oversupply."

Some British Gas executives have also suggested delaying the onset of competition for the residential market. "Extend the monopoly? That would be bad for the consumer. says Ms Spottiswoode. "We won't do

Analysts are divided as to the urgency with which a solution must be found. Mr Daniel Martin at BZW says: "British Gas will be able to renegotiate these contracts and by the end of 1997 I expect them to have more sensible deals out of the producers. But if they have not renegotiated by the time the domestic market has been opened up and if the spot price is well below 20p a therm they they have serious prob-

Some believe that a new pipeline linking the UK with continental Europe, which is due to be completed in 1998, will allow the sur-

plus to be exported.

But few believe a quick solution can be found.

In the meantime both the government and the regulator are keen that the take-or-pay issue does not detract from the launching of the first phase of competition. The first pilot scheme to test domestic competition is due to start on April 1 among 500,000 gas consumers in Somerset, Devon and Cornwall

Ms Spottiswoode is confident that even a financial crisis within the British Gas group would not stop the liberalisation process. "The obverse of British Gas's [financial] pain is that consumers will pay

Champagne has lost its fizz for French public relations professionals, says Andrew Jack

Time for sober reflection

he champagne flowed freely and lobsters were plled high on the waterfront restaurant tables. Luxurious hotel rooms even offered

A casual visitor to Deauville, the opulent French seaside town in Normandy, could have been forgiven for thinking that senior representatives of the French communications profession, gathered recently for their annual Top Com conference, were still enjoying the excesses of

> However, after gaining power and influence over the past decade, the role of the "directeur de la commnnication", a peculiarly French function, is in crisis.

"Dir comms" used to be the champions of corporate image cam-paigns, tha "gate-keepers" between journalists and senior executives, and the co-ordinators of all types of contact with the world outside and within their businesses. But the industry is now feeling the effects of the prolonged 1990s recession: corporate communications budgets have been cut and chief executives, who happily courted the media in good times, have clammed up. "They are at last experiencing the problems that took place in the UK of interest in the broadcast media tions remained within companies - the other curtailed much alcohol headhunter who hires public relations executives on both sides of the

The history of dir comms in France is short but colourful Mr Jean-Pierre Labro, until recently head of communications st Elf Aquitaine and widely considered the doyen of his profession, says it began at the end of the 1970s, when tha subsidiaries of foreign multinational corporations such as International Business Machines launched corporata image campaigns. French

siness followed suit. "At the time, communication was with the press," he says. "Companies did not have a good reputation. Capitalism was something that was dirty, it was only about making profits. There was distrust between companies and journalists."

That began to change during the 1980s. The image of business began to be rehabilitated, the print media developed greater interest in the economy and hired more specialist writers, and there was an explosion

"Companies realised that they needed to be seen as much more part of society and to get people on their side," says Mr Jean-Pierre Rousset, chairman of Burson Marsteller Eurocorporate, a Paris-based communications consultancy. France was late in developing sdvertising and PR and decided to catch up fast."

any executives wanted to raise their image, often with an eye to attracting new investors through the stock market. The trend was boosted by the first wave of privatisations from 1986, accompanied by ambitious publicity cam-

As the interest in communications and in courting the media grew, so did the role and power of the profession. In countries such as the UK similar trends led to the rapid expansion of external firms of financial public relations consultants. In France, most of the funcdency to centralise decision-making within a corporate hierarchy.

The new-found power and status of the profession did not come without abuses. Some dir comms were hired more for their celebrity status or media contacts than their experience in corporate communications. One case of the delicate links

between journalists, executives and politicians emerged in April this year, when Mr Patrick Poivre d'Arvor, a television presenter, was fined FFr200,000 (\$40,900) and given a 15-month suspended prison sentence by a court in Lyons for receiving paid trips and other benefits distributed to him and others, including the mayors of Lyons and Cannes, by Mr Pierre Botton, a busi-

The mood began to change after 1990. The Gulf war and the prolonged economic recession cut into communications budgets and staffing. The advertising industry, which had provided much of the engine for growth in the profession.

was severely affected by two French laws in 1993, which reduced its transparency in the billing process, Meanwhile, chief executives who

had happily courted the media during good times went quiet when they found themselves criticised as their companies suffered losses and were subject to growing allegations of corruption.

"It is the hour of truth," says Mr Labro. "The less professional communications people have disappeared and the more professional ones are weaker. The crisis has got rid of the false professionals." He argues that the emphasis is now changing: internal communication with staff is increasingly important, to motivate them at a time of management change and continued cost-cutting. There is a call for more sophisticated evaluation of the

effectiveness of communication. In Deauville, attendance at Top Com slumped and the event has made losses in the last two years. This year, serious seminars have taken the place of indulgence. The champagne may still be flowing, but it has lost a lot of its fizz.

OBSERVER

Birth pangs of a nation

■ Hacks in Bnenos Aires know a good story when they see one, which is why the birth of a more than bouncing 6kg baby got rather more attention the day before the rebirth of Anglo-Argentine relations at the UN.

Hours before 13 years of diplomatic ice melted in New York, Noemi Sanchez de Salazar gave birth in La Plata to Bryan Salazar. The father, working in another province, found out about the event through the media. The press got more excited about

ent Carlos Menem's meeting with UK prime minister John Major when it was announced that Menem had finally got his invite to London; he'a been hankering after it for years. The biggest daily, Clarin, even devoted five pages to post-encounter analysis. A Clorin journalist, who must have been in Manem's pocket, if his verbatim account is to be believed, reported that Menem's entourage had to suppress their desire to burst into applause when Major delivered his

invitation. Menem was also hoping his New York trip – for which he pointedly left behind economy minister Domingo Cavallo – might also calm investor fears about Argentina's present situation. In this respect things didn't go quite so much to plan; on Monday, prices on

Argentina's stock exchange fell 5

Ritt and wrong It takes a lot to silence Ritt

Bjerregaard, the Danish environment commissioner who has produced a kiss-and-tell memoir barely nine months after arriving at the EU. But she was left slack-jawed yesterday after a French journalist asked whether she was ready to live up to her country's reputation for openness, and reveal how much money she's getting for her about to be published Brussels

Bjerregaard said she would follow the Commission's own internal rules, which ban fees. But she just happens to be in dispute over how tightly those rules should be interpreted. This is very tricky for Jacques

diary.

Santer, president of the Commission. He loathes confrontation, but his staff are appalled by Bjerregaard's publishing venture, which they believe is a damaging breach of trust. Will he make a stand, or is he hoping that Bjerregaard is an unguided missile, careering towards self-destruction?

Absent friend So why wasn't Germany's chancellor Helmut Kohl rubbing

shoulders with his pals in New

York at the UN's 50th anniversary? After all, Boris Yeltsin, Jacques Chirac, John Major, Bill Clinton and many others all turned up for

the group photo. "I have great respect for the United Nations," said Kohl. "But I don't see how I can express my respect by being brought to the podium and saying goodbye after five minutes." Five minutes was the mandatory time limit for speeches by world leaders at the affair. Most of the others - lacking Kohl's eloquence, perhaps - managed it

Pyramid selling

■ Meanwhile, over in Cairo the anniversary celebrations were rather muted. Last night plans for a party were scuppered at the eleventh hour in a spirit of solidarity with the secretary-general's cost-saving

In a fax sent to Egypt-based UN representatives, Costante Muzio, the residant co-ordinator, said that owing to the UN's financial crists the party was cancelled. "It would not be appropriate to incur expenditure on hospitality owing to the grave financial situation," she wrote. Such noble gestures made the UN the institution it is

Trouble is, the cost-saving measures she referred to were announced in a UN bulletin on September 14: yet the

blue-and-white invitation cards were only sent out in early October.

Power lunchers Time has not softened the

rhetoric of Ukraine's leftwingers. Socialist party co-ordinator Vasily Arestov yesterday said that trade unions and left parties demanded that tha "bourgeois" Ukrainian president and parliament step down and cede "all power to the workers". Nationalise private banks and all commercial structures Confiscate all hard currency! Ah.

those good old days... This sort of thing cuts little ice with president Leonid Kuchma, a captain of industry In his former life as a Soviet factory boss. He's just had lunch with some beastly bourgeoisie - the chiefs of Monsanto, General Motors and Westinghouse - in a fancy New York setting. Nationalise all power lunches! Or something. . .

Burning desires

■ The citizens of Edenbridge, in the English county of Kent, will burn an effigy of French president Jacques Chirac on Guy Fawkes' night, on November 5. They've voted him this year's most unpopular person, thanks to French nuclear tests. The vote should prove enormously popular in Mont Saint-Aignan - Edenbridge's twin town - close to Paris.

Financial Times

100 years ago ms of the slump

While the holder of shares in

sound mining companies now has reason to congratulate himself on not having thrown away his property at low values during the recent panic, he will pursue a wise course if he calmly surveys the situation. In the first : place, the startling occurrences of the past few days strikingly illustrate the fact which we recently sought to impress on novices in speculation - that market downfalls are liable to occur quite irrespective of the merits of properties.

50 years ago Atlantic air fares

A question in the Commons yesterday asking whether the Government would consider making the fares charged by the British Overseas Airways Corporation competitive with the American air services drew no fresh light. The real question is what steps are being taken to bring the machines and other equipment of B.O.A.C. up to the standard necessary to face all comers successfully. It will have to be done if Great Britain is to hold her own in a service which the Pan American Airways propose to provide at half the present fares.

20

Car project one of China's largest at \$1bn-\$2bn

GM set for Shanghai contract ahead of Ford

By Tony Walker in Beijing and John Griffiths in London

General Motors is believed to have beaten Ford to secure one of China's largest car manufacturing projects, a Shanghai facility worth between \$1bn and \$2bn.

Chinese officials indicated yesterday that GM had been selected and said an announcement was imminent. But hoth GM and Ford, the world's two biggest vehicle makers, said that they had yet to be told by the Chinese whether a partner for the project to huild a mid-size car in China had been chosen.

Mr Lo Fuyuan, minister for the automotive industry under the ministry of machine-huilding industries, leaves for the US today for meetings with car man-

GM and Ford have engaged in spirited competition for the Shanghai project with frequent visits hy top executives.

Ford says it is still in talks. *We are still negotiating with

Chinese partner in the venture]. Nothing has changed in that regard - it is still an open issue."

As part of their campaigns, GM and Ford have each already announced a series of motor components manufacturing ventures in China, hoping to win favour under China's new automotive policy announced last year.

The policy froze new car manufacturing vectures until 1997 and demanded that companies wanting to produce vehicles in China showed a commitment by investing in the components sector. When further manufacturing ventures are authorised, they are expected to contain stringent new requirements for a bigh level of Chinese-produced components.

Ford has so far invested about \$250m in Chinese ventures. including a 20 per cent stake in a truck company

Last month GM's global compotive Systems, announced automo-SAIC [state-owned Shangbai tive battery and steering system

Automobile Industry Corp., the ventures totalling \$80m in Shanghai. An announcement of another \$50m components venture is believed to be imminent. Altogether, GM has set up or is negotiating a total of 25 components joint ventures in China.

GM and Ford have become increasingly anxious not to be left behind in China, where Euro-pean, particularly German, car manufacturers bave taken the lead. Hopes by Chrysler, North America's third largest manufac-turer, that it would win a coveted contract to build multi-purpose vehicles, were dashed several weeks ago when Beijing awarded the contract to Mercedes-Benz. By the end of the decade, China

plans to meet 90 per ceot of its annual car needs of between 2m and 3m vehicles from local productioo. Last year it produced fewer than 300,000 cars out of a total vehicle production, including trucks and other utility

Daewoo boost in Poland, Page 10 Competition in Egypt, Page 10

ministry seeks to undercut phone fees

Callback services allow users to make long-distance calls via a third country, usually the US, and pay the rates applicable in that country. Even after commission, users can cut their Argen-tine bills by more than half. The cash-conscious ministry, whose telephone bill runs to an annual \$3m, is understandably keen to

Such are the savings that a call from Ushuaia in Argentine Patagonia to Buenos Aires, the capi-tal actually works out cheaper if

The skewed pricing structure was intended to allow the two privatised telephone companies, Telefónica and Telecom, to generate revenues through long-distance business traffic for multi-hillion dollar investments in upgrading Argentina's archaic network. At the time of privatisation. It was thought politically impossible to raise local call

Telefónica and Telecom have asked Argentine courts to declare callback illegal on the grounds that the service contravenes their quasi-mooopoly, which runs until at least 1997. But last year, an sppeals court declared in favour of callback, since when the number of services has mushroomed to an estimated 25. The so-called Telephone Twins have taken

Mr Luis Alberto Murina, subsecretary of administration at the economy ministry, admitted the ministry had looked into the callback system but denied that a public tender to select an operator was imminent, "We haven't done anything about it. Until it is absolutely clear whether caliback is legal we will not proceed."

The economy ministry is now considering rebalancing telephone tariffs. A study commissioned from the UK consultancy Nera recommends the gradual lowering of long-distance call costs by up to 80 per cent, and a 44 per cent increase in local calls.

South American satellite project

EU commissioner struggles to defend her 'tell-all' book

Mrs Ritt Bjerregaard, the Danish environment commissioner, found herself politically isolated yesterday as she struggled to defend her decision to publish "meet-and-tell" memoirs.

Mr Jacques Santer, president of the European Commission. expressed his surprise that a "young commissioner" had launched into print just nine months after arriving in Brus-

At a joint press conference at the European Parliament in Strasbourg, the two sat side-hyside as Mr Santer used a mixture of mild put-downs and light sar-casm to deal with Mrs Bjerregaard's indiscretions.

in Denmark, however. Mr Niels Helveg Petersen, the foreign minister, took a stronger line, saying the diary risked leopa the commissioner's and Denmark's ability to influence environemental policy in Europe. That is a very high price to pay." he said.

also be worried that Mrs Bjerregaard's undiplomatic remarks about EU leaders could hurt the chances of Mr Uffe Ellemann-Jensen, the former Danish foreign minister, of winning the job of Nato secretary-general which is vacant following the resignation of Mr Willy Claes

Meanwhile, the European Parliament will consider a motion this week which would bold back funds allocated to the Commisslon in the 1996 hudget until MEPs receive clarification of rules about commissioners' trips or other engagements involving

Mr Santer said that Mrs Bjerregaard had not informed him of her intention to publish a diary, but he doubted that it contained indiscretions. "Unfortunately, I don't speak Danish, I must work " ne said.

The press conference, called to discuss the Commission's decision not to take France to court over its nuclear tests, was hijacked by the controversy over

Mrs Bjerregaard's book. "This book Is more radioactive than the tests," joked Mr Santer.

The diary includes disparaging remarks about Chancellor Helmut Kohl of Germany, President Jacques Chirac of France, and Mr Felipe González, prime minister of Spain, and claims that Mr Chirac treats Mr Santer shoddily.

Mrs Bjerregaard defended her decision to publish a diary as a means of bringing Brussels alive to the man in the street in Denmark where people were scepti-cal about the European Union. But she appeared taken aback

by the controversy and was evasive when questioned about the size of her fees and whether she stood to gain personally. With Mr Santer listening to interpreters through headphones, Mrs Bjerregaard replied in Danish that she would respect the Commission allowed to take fees.

Brussels clears France over Observer, Page 19

Pace of German growth set to slow

Continued from Page 1

report confirmed that "the blockade of growth forces through excessive taxes and levies is continuing". The solidarity tax and higher social insurance costs would dampen investment and work against growth, the federation warned.

The six institutes, whose forecasts are influential in Germany.

Europe today Most of the UK will have cloud and showers but western Scotland and England will have rain later. The west of the continent will have cloud and rain in the morning but skies will clear and sunny periods will occur. Northern parts of the Benelux and Germany may have showers Most of central Europe and Italy will be sunny and dry but the frontal zone will produce cloud and patchy rain in the Alps. High pressure over eastern Europe will give some sun. The Ukraine will have morning fog. Low pressure over Turkey will produce cloud and rain in Bulgarla and Turkey.

said growth would falter in the first half of next year, slowing from 2.25 per cent this year to an annual rate of 2 per cent. But they said growth was expected to pick up in the second half of the year rising to an annual rate 3 per cent by the year end. Consumer spending would grow by 3 per cent next year compared with 1.5 per cent this year and a low of

0.9 per cent in 1994, the institutes

said, because of higher income tax thresholds for the less-well off, an increase in child beoefit payments and the abolition of a surcharge on electricity to snb-

sidise domestic coal production. Unemployment would fall slightly from 9.4 per cent this year to 9.2 per cent in 1996 as husinesses sought further costcutting measures through redundancies and investing abroad.

FT WEATHER GUIDE

sessonal temperatures.

Five-day forecast High pressure will expand over the continent promoting sunny and dry conditions in eastern and south-east Europe. Turkey will remain unsettled as low

pressure continues over the

Mediterranean. Western Europe will be dry but cloudy and a frontal zone with cloud and rain will enter the continent on Friday Cooler air will arrive in the wake of the front. The UK will remain unsettled with



We can't change the weather. But we can always take you where you want to go. Lufthansa

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Reyldavik
Rio
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Argentine

Argentina's economy ministry is considering using a "callback" service to avoid the exorbitant costs of long-distance and international telephone calls that were established by its own offi-

make similar savings.
Argentina's telephone tariff

structure, agreed by the economy ministry when the state-owned Entel was privatised in 1990, sets very high rates for long-distance calls, while keeping local rates well below international norms. A three-minute call from Argentina to the US during husiness the call originates in the US.

routed via Miami or New York.

their battle to the supreme court.

Mr Murina said the ministry constantly tried to cut costs and would consider callback if legal doubts were removed.

sees equity boost, Page 10

THE LEX COLUMN Gas leak

Ms Clare Spottiswoode, the UK gas regulator, is right to highlight the pickle British Gas is in as a result of its long-term take-or-pay contracts. But in raising the possibility that the company could go bust, she is unduly

The headline figures are, indeed, ghastly. British Gas is committed to buy £40bn of gas over the next decade or so at an average of 20p a therm. With the current spot price less than 10p a therm, it may look as though the company is sitting on a £20bn financial problem - intimidating even for a group with an £11bn market capitalis ation. But the net present liability of the company's contracts is nowhere near as big once likely movements in gas prices, tax offsets and the effects of discounting losses far in the future are taken into account.

In computing British Gas's liability, it is more relevant to look at the price of new contracts, roughly 15p a therm, than the spot price which has been depressed by unusnally warm weather. Though that still implies a gross loss of around £10hn, the aftertax loss would be 26.7bn. Moreover, the initial losses will be quite modest. because the company can pass high prices to domestic consumers until its monopoly is abolished in 1998. Thereafter, the losses would be spread over a decade or more. Using a discounting rate of 10 per cent, the net present liability is probably under £3bn. The eventual hit will be still less if British Gas manages to negotiate more favourable terms for its contracts. The group faces a hig problem - perhaps even bigger than its depressed share price reflects - hut it will not sink.

Ferruzzi Finanziaria

Superficially, the latest Ferruzzi Finanziaria rights issue offers little cause for celebration. Under the now postponed Gemina restructuring. Ferfin's largest shareholders ~ its banks - had the option to sell out. Instead, they are having to shell ont on a L1,035hn (\$646m) rights issue. Moreover, Mediobanca and friends will underwrite the offer and could end up consolidating control of Ferfin on the cheap.

In reality, however, Ferfin shareholders have prohably achieved a great escape. The banks do rather well. They have to put up cash, but since L300hn of the rights proceeds will repay bank debt, much of their rights money will probably come back again. Meanwhile, the refinancing means that Ferfin is no longer under



pressure to pursue the ludicrously complex Gemina merger. This would have been great for the deal's architects, Fiat and Mediobanca, but it was distinctly unfavourable to Ferfin's

1993

minority shareholders. Of course, Ferfin must eventually metamorphose. Its bank shareholders took their shares as part of a 1993 rescue restructuring, and they want to get out. The most profitable solution would be to break up the group. Its largest asset is a 30 per cent stake in Montedison, another complex holding company for several attractive investments. Montedison's break-up value would considerably exceed its share price. The banks would then get their cash, and Mediobanca's domination of the Italian stock market would be diluted. But in corporate Italy, such fairytale solutions are rare.

The prospects of a division of Can-ada may well be exaggerated by the current opinion polls showing a slim lead for the Quebec separatists in Monday's referendum. But the recent capital flight shows that investors are taking no chances with their savings and they are probably right to do so.

A vote in favour of independence for Quebec would create two financial issnes. The first would be how to divide Canada's C\$580hn (\$431bn) federal deht. Not only would this be messy, with an independent Quebec likely to resist assuming a quarter of the debt in line with its relative population size; hnt; given that Quehec province already has high debt levels, those honds which were eventually assigned to the new country would

have a reduced value. The second would be whether Quebec would be able to keep the Canadian dollar as its currency. The separatists insist it would. But there would inevitably be economic tensions in maintaining the

same currency. After separation, Quebec's economic performance will be hard pressed to match that of the rest of Ganada if business and capital drifted away to other provinces. There could also be political difficulties. Once a newly independent Quebec realised that it had no say over how the Bank of Canada conducted monetary policy, pressure for its own Quebec franc could

Prudential

Life assurance is a tough business a the moment and the market was pleased yesterday to see the Pru planning to diversify. The idea - to start taking deposits and selling mertgages in competition with British banks and building societies - looks a better bet than its ill-fated excursion into estate

Taking deposits exploits a real business opportunity. The Pru pays out insurance policies and it wants to catch some of this money before it leaves the door. Moreover, there are healthy margins to be made in this husiness - depositors tend not to be too fassy about rates.

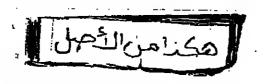
They are pickier, though, when it comes to taking out mortgages. Here the Pru's plan is more risky. The market is highly competitive and margins are tight. It is especially tough for a newcomer; selling a mortgage is nuich more difficult than keeping one already on your books. On the other hand, without a branch network to maintain, the Pru should have the

advantage of lower costs.

The main challenge will be to match mortgage lending to deposits. If mortgage lending takes off but deposits do not, the Pru will have to borrow in the wholesale markets. That would probahly mean finer terms and much lower margins. To keep borrowing and lending in balance, the company will need to keep mortgage-lending in check while working hard to win deposits. Since selling mortgages by telephone a is likely to be a lot harder than taking ! deposits in the same way, it stands a good chance of success.

> Additional Lex comment on Dalgety, Page 26





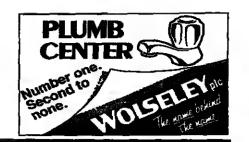


FINANCIAL TIMES

COMPANIES & MARKETS

OTHE FINANCIAL TIMES LIMITED 1995

Wednesday October 25 1995



Charges

Times

Mirror

By Christopher Parkes

drag down

IN BRIEF

A Century of Lexperience

WITONO BANK

- -

Acquisitions lift Portuguese bank

Banco Comercial Portugues, Portugal's biggest commercial banking group, reported a net consoli-dated profit of Es14.22bn (\$96.6m) for the first nine months of 1995, up from Es13.16bn in the same period last year. The results are not directly comparable as BCP's total assets more than doubled in the intervening period following the acquisition of Banco Portugues do Atlantico for Es308bn in March. Page 22

Fillip for Postbank takeover

Deutsche Post's efforts to take over Postbank, its state-owned sister organisation, were lifted after Mr Arne Börnsen, the bead of the Bundestag postal committee, said a takeover would keep open the largest possible number of post offices. Page 22

Tisa buys Argentine TV stake Tisa, the international arm of Spain's Telefónica, is to buy 25 per cent of Multicanal, the Argentine cable TV group, intensifying the battle for Argentina's cable market. Page 23

DLJ returns to NYSE

Donaldson, Luikin & Jenrette is going public once more. The securities firm was founded in 1959 and went public in 1970 becoming the first New York Stock Exchange member to be quoted. It was taken over by the Equitable insurance group in 1985.

Mixed results at Chevron The closure of Chevron's refinery in Richmond, California, will continue to affect the oil group's results in the fourth quarter. However, while special charges reduced third-quarter net income 34 per cent to \$282m, earnings rose 24 per cent to \$504m when these one-offs are excluded. Page 23

Digital beats expectations Digital Equipment, the US computer group, reported stronger-than-expected first-quarter results, its fourth consecutive quarter of profitability after four years of heavy losses. Page 24

Wolseley warms on profits growth
The slump in bousing markets prompted Wolseley,
the world's largest distributor of beating and plumbing equipment, to warn it would struggle to achieve profits growth next year. Although the group reported a 21 per cent increase in pre-tax profits, from £202.3m to a record £245.4m (\$380m) for the year to July 31, Mr Jeremy Lancaster, chairman, issued a particularly downbeat assessment of trading conditions. Page 26

Companies in this issue

Abbott Laboratories 22 HSBC Americas Hino Motors Housing Loan Service Abitibi-Price Amdahl 25 Hughes 24 Iberia 22 JCl AssiDonalo Austrian Airlines McKechnie Medeva Mediobanca Monsanto Motorola Multicanal Böler-Uddeholm **Budapest Bank** NEC Northern Telecom Cap Gemini Sogeti Cathay Pacific Novo Nordisk Olivetti Chevron Petroz Cominco Pfizer Cray Research Phelps Dodge Philips Petroleum PosGold Postbank Credit Lyonnais Cursitor-Eaton Prudentia RJR Nabisco Daewoo Daimler-Benz Rendgold Rio Algom Sabena Scholi Shell Dean Witter Delta Airlines 25 Shell
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Market Statistics

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Chief price changes yesterday

License,	,			BIC	474	+	16
Rices			10.2		443.5		20.4
ENIM	742.2		7.5	Con des Espo.	443.0	+	44
Hoechst	349.5			Falls			
Porsche	618	+	28	Bouygues	469	-	13.2
Patts				Cred Lyon	227.6	-	7.4
CKAG COL PIT	820	-	30	bomobanque	660	_	25
DLW	311	-	9	TOKYO (Yes)			
Varta	295	-	10	Rises			
HEW YORK (S)				719		39
Rises				Kalio Marti	/19	+	.30
Chris Schwab	24%		1	Felle			
LVAL.	175%		D)*	Fudo Const	953	-	22
US Hithcare	38%		114	M'shire Feft	650	-	25
Utd Hithcare	53	+	24	Clause Corp	755	-	27
Falle				Takara Shuzo	765	~	18
Deli Cumputer	921	-	21/2	Yuesa Coro	520	_	18
FLJR Nebleco	29h	-	2	HONG KONG			
LOHDON (Pe	nce)			Rises			
Rives				HK Daily News	1.12		0.12
Hozelock	417	+	21				0.32
Magness Power	142	+	26	Ngai Lik Ind	4.3		
Northamber	211	+	18	Para & Frank	1.3	+	0.17
folia:				Police			
(Sidos	460	-	22	Guengzhou Skp	245		0.20
Expro int	259	-	14 35	Luciano Glass	2.52	5	
Ranger Oil	335	-	35			_	0.22
TORONTO (C	5)			New World WSG	11.35	_	0.45
Alses			116	BANCKOK (B	alett.		
Fulcrum Tech	29%		3	Ricos			
Hummingbird	59	+	24		324.0	+	16.0
Nenn Telecom	457	+	2-4	Alphasec Elec	44.0		2.25
Falls _			134	Chiangmai Fiz	-		
Dundee Bricp8	12	-	-	Toeghus	35.0	+	3.0
Formation Cap	71/2		1 195	Falls			
MANT Ltd	15%	-	177	interitie	54.50	-	6.0
PARIS (FFr)				Sahavirtva	43.50	_	3.75
Fines				TS Life	33.75	_	3.76
ACCOL	558	+	12	In min			4,. 4

Shares in RJR Nabisco, the US tobacco and food group, sank 7 per cent, or \$2%, to \$29% in early afternoon trading yesterday after the company forecast lower-thanexpected earnings for this year

After reporting third-quarter earnings in line with analysts' expectations before a one-off charge, RJR said it expected to earn \$2.30 per fully diluted share this year - 13 cents below the mean analyst forecast, RJR also

share next year - lower than expectations of \$2.87 a share.

earnings from its Nabisco food group and expectations thet taxea would increase next

over of the company.

had separately received permis-sion from the Federal Trade Com-mission to take up to 15 per cent

However, the weak perfor-

nett LeBow and Mr Carl leahn, takeover specialists who have sometimes worked as partners.

fully diluted share, from \$216m or tobacco sales rose 3 per cent driven by the strength in western to redeem \$409m of Nabisco debt.

tobacco slipped 2 per cent to \$1.2bn, but the company said it

Times Mirror, the ailing media group, yesterday reported a net loss of \$299m, or \$2.98 a share, for the third quarter after absorbing \$360m in restructur-ing charges. The restructuring involves the loss of 2,200 jobs. mainly from its core newspaper publishing operations.

share, compared with \$36m, or 28 cents, last time.

sures already undertaken would regional supplements and international news and opinion pages, closed The Baltimore Evening Sun and axed the wellregarded New York edition of

ter results in 1996, even after absorbing an expected increase in newsprint costs of np to \$100m. Of the total billed for restructuring expenses, about \$210m will be spent this year

Also, despite the size of the third-quarter deficit, the expected loss in the last quarter and the fact that the charges will exceed operating income, the group said it did not expect a net loss for the full year thanks to the gains from the first-quarter disposal of its cable television

The publishing business did

RJR shares slide on profits warning

By Lisa Bransten in New York

forecast earnings of \$2.55-\$2.60 a

The company attributed the slower earnings growth next year to expenses incurred from accelerated growth in the international tobacco business, lower

The lower share price renewed speculation about a possible take-

of the company.

mance might put off potential new owners. "The results are disappointing so maybe it's worth less than they thought," said Ms Leigh Ferst, analyst at S.G. Warburg in New York.

earnings per share came to 56

Most of the increase in net ncome was due to lower taxes. Operating income at the company fell 5 per cent to \$641m, from \$678m, as the company stepped up marketing efforts in both the food and tobacco groups. Worldwide tobacco sales were

Europe and Asia which offset weakness in the republics of the former Soviet Union and in the Middle East.
In the US, net sales from

believed its market sbare was stabilising because of new marketing efforts.

Analysts were sceptical. "They

think there's going to be a rebound in the fourth quarter, but that's easier said than done,

> The company, best known for the Los Angeles Times, Newsday and The Baltimore Sun newspapers, said further restructuring expenses of np to \$180m would result in losses continuing in the

> fourth quarter. Excluding the charges for closures, property losses and staff cuts, earnings for the quarter totalled \$37m, or 21 cents a

The restructuring, which has reversed most of the expansions in recent years, would cut operating costs by at least \$115m in a full year, the company said. Full benefits would be felt in 1996, as would the effect of closing busi-nesses which were expected to report losses of \$50m next year. The company said the mea-

result in savings which would cover the \$340m cash cost of restructuring within three years. Mr Mark Willes, the new president and chief executive who recently shot down several sections of the LA Times, including Newsday, yesterday forecast substantially improved profitability.

He said be expected much betwith the balance going in 1996.

operations.

marginally better in the quarter than in the same period last year. Operating profits inched up to \$35m on revenues of \$486m. compared with \$33m on revenues of \$493m a year earlier.

flat at \$2bn in the third quarter in August, the shares began In the third quarter, net but operating income in that divirising from their price of about \$28 after it emerged that Mr Benincome at RJR increased 7 per sion slipped 3 per cent to \$563m cent to \$232m, or 61 cents per from \$580m. International said Ms Ferst. Prudential's move marks response to growing competition in personal financial services UK life group to enter savings and

mortgage markets

Prudential Corporation, the UK's largest life assurance and investment group, is to open a bank and enter the personal savings and mortgage markets before the end of next year.

By Alison Smith in London

The Pru's plan, announced yes-terday alongside its application for a deposit-taking licence from the Bank of England, marks a development in the restructuring of the UK personal financial services sector. It is the first largescale attempt by a life group to combine life assurance with banking services. Previous moves into "bancassurance" - the bringing together of financial services - have come from banks and building societies expanding

Prudential shares closed up 3½p at 390½p. Mr Peter Davis, Prudential chief executive, said the opera-

into life and investment policies.

tion would widen the range of products sold by the Pru's 6,500strong direct sales force, and would provide telephone and postal banking services. The Pru was investing £20m

(\$31m) this year and up to £50m next year, but should still be able to operate from a low cost base because the business would not require a branch network.

The argument for life assurers offering deposit accounts has been strengthened by tougher competition from banks and building societies. Life groups now run a greater risk of losing customers when policies mature and customers pay those cheques into savings accounts.

This was one reason advanced by Scottish Widows, a mutual insurer, for launching a banking subsidiary earlier this year. But Prudential aurprised its

gages for its customers each envisaged offering bome loans year, using a panel of lenders.

operation. With him is Peter Davis, group chief executive

over the telephone.

Michael Barris (left), formerly chief executive of First Direct bank, will head the Prudential's bank

Editorial Comment, Page 19: competitors by its plan to enter While the Pru's existing 6m. Prudential has recruited Mr Lex Page 20; the mortgage market as well. Mr strong customer base would be Mike Harris, former chief execu- Background, Page 26

the prime market for its mort-

gage lending, Mr Davis also

Matsushita rises 10% despite lower sales

Davis said that the group already

arranged about £700m of mort-

By Michlyo Nakamoto in Tokyo

in sales in the first half of the year and increased recurring profits by 10 per cent, mainly by cutting costs and raising manufacturing efficiency.

The parent company's recurring profits - before extraordinary items and tax rose from Y37.4bn a year ago to Y41.2bn (\$411.8m), in spite of a 2 per cent decline in sales from Y2,204bn to Y2,162.2bn. Net profits rose 16 per cent to Y25.5hn.

The improved results came amid continuing weak demand in many product sectors, a strong yen, declining exports

and severe price falls, Matsushita said. They reflect a clear division between sales. Matsushita, Japan's largest consumer conventional consumer electronics, such as video and audio products which are struggling, and sectors such as electronic components and batteries which are buoy-

> In the first six months, consumer electronics makers were particularly hard hit by price competition in areas ranging from audio-visual products to CD-Roms. Matsushits said that the fall in prices had led to a Y20bn decline in overall sales.

Exports were also sharply down in many sectors because of the high yen and the shift of production overseas. The yen's

In particular, a sharp drop in sales of colour televisions and video recorders to China after a change in the tax regime adversely affected Matsushita. Exports to China which totalled Y70bn were down 45 per cent from the previous first half. Sales to the US were also 11 per cent lower.

The decline in exports affected the bome appliances division, leaving sales flat in spite of strong domestic demand for air conditioners and refrigerators in an

unusually hot summer. The strongest performances came in the electronic components and batteries divisions which were supported by strong.

had shaved another Y16bn off overall demand from the information and communications industries.

tive of First Direct, the telephone

banking arm of Midland Bank, to

run the new operation.

Sales of semiconductors and cathode-ray tubes were buoyant as a result of the strong growth in the personal computer market, while rechargeable batteries remained in demand for portable information and communications equipment, such as cellular phones.

in spite of continuing difficulties, Matsushita expects better results for the full year than initially forecast because of the strong first half. Full year sales are expec-ted to be flat at Y444bn but recurring profits are forecast to rise 26 per cent to Y110bn. Net profits are expected to rise to Y66bn from Y52.7bn.

appreciation against the main currencies **Barry Riley** When equity market makers are under stress



regulatory arguproceeding for some time over the appropriate level of capital which should be the trading positions of banks and securities firms in various financial instruments.

At present the Basle Committee of international banking regulators is ushering in a more flexible regime which encourages banks to use internal value atrisk models. The new rules will be introduced in 1998. But there s a conflict with the European Union'a Capital Adequacy Directive, due to be implemented next January, and with regulatory regimes in the UK and the US. A paper by Elroy Dimson and Paul Marsh of the London Business School focuses on the particular problems of equity market

If inappropriate capital adequacy regimes are imposed on equity market makers the result is likely to be that excessive amounts of capital are required. and these securities firms may be encouraged to act in perverse ways. The paper, "Stress Tests of Capital Requirements", examines the ability of various regulatory models to withstand worst-case scenarios. In practical terms, much

depends on the extent to which various risks can be netted off essentially, through short posi-

tions against long positions, but

also through diversification. Gen-

eral banking value at-risk mod-els, of which the best-known is

J.P. Morgan's RiskMetrics (a sim-

nlified version of which is avail-

able to other banking institu- imposes the same charge to all

tions) have the disadvantage for specialist equity market makers that they focus upon the interrelationships between different markets rather than on the particular internal characteristics of the stock market. Essentially, they are designed to deal with index-based derivative instruments rather than individual securities.

No doubt J.P. Morgan would say the RiskMetrics model is being misapplied to the trading books of specialist equity market makers. More sophisticated ver-

standard models could have

The naive

application of

sions of RiskMetrics incorporate the beta coefficients of individual stocks. But Dimson and Marsh want to make the point that the naive application of standard models could have unfortunata

in practice, three other capital regimes are being applied. The Securities and Exchange Commission in the US imposes a "comprehensive approach". This is shown, by historical testing involving actual tracing books of 16 UK equity market makers over various short-term periods between December 1986 and September 1988, to have made poor use of capital and exposed mar-

unfortunate results

ket makers to the greatest level of systemic risk. The comprehensive system

although in practice the SEC allows a minor offset, the approach remains inefficient. Its performance is especially poor when market makers have net

An alternative "building block" approach is embodied in the EUs Capital Adequacy Directive. The charge is based partly on the net and partly on the gross (long plus sbort) exposure. This method per-formed rather better than the comprehensive approach in the Dimson-Marsh stress tests but is regarded as liable to provide perverse inceotives for equity market makers. In particular, it fails to reward firms for running well-

diversified books.

The best method is shown to be the simplified portfolio approach which has been used in the UK since the implementation of the Financial Services Act. In spite of simplifications, notably that all betas are assumed to be equal, this has proved to be a reliable and economical approach to the risk of portfolios with limited

diversification. The stress tests showed that the comprehensive approach would require capital averaging 20.8 per cent of the gross value of the book to cover the ups and downs of every chosen sbort-term period of market stress, while the building block method would need 19.4 per cent on average. The simplified portfolio epproach required just 8.8 per cent. As for the value-at-risk method, the requirement was 293 per cent of

the gross book.

Much of the regulatory activity
so far has been misguided, say
Dimson and Marsh. But the portfolio approach points the way ahead, and not just for equity trading books.

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INTERNATIONAL COMPANIES AND FINANCE

Rumblings of discontent greet Ferfin's rights plan

The issue could prove even more controversial than the stalled 'SuperGemina' deal, writes Andrew Hill

tive Milan merchant bank, are very rarely scrapped. They are almost always postponed, with the delay usually blamed on adverse market

The excuse was used again on Monday by Gemina, the investment company controlled by Fiat, Mediobanca and the Italian business establishment. In the latest in a series of short, nocturnal statements. Gemina said it had put off the controversial plan to merge with Ferruzzi Finanziaria (Farfin), the holding company, until the return of "general conditions of balance

and stability". Gemina claimed yesterday that the "SuperGemina" plan was alive, and that experts were still working on valuation of the companies involved. The investment company is due to

eals masterminded by the situation by November 20 - Mediobanca, the secre- which should include an which should include an update on the position of RCS, the group's troubled publishing and media subsidiary - but the odds are against anyone reviving the merger by then.

The situation at RCS is simply too difficult to sort out in the short term. Gemina's new three-man executive committee, appointed two weeks ago at another late-night board meeting, had already called for more time to examine the last 18 months of losses at RCS. Both Gemina and RCS are under investigation following allegations that accounts were

Meanwhile. Mediobanca has recognised the flimsiness of the "adverse market conditions" excuse, by arranging for an unexpectedly large capital increase at Ferfin itself. The bolding company, which con-trols Montedison, the industrial group, wants to raise L1.035bn (\$640m) with a onefor two rights issue.

The new plan means Ferfin and Montedison can stop worrying about the risk of being absorbed by the ailing Gemina. Yesterday, the initial reaction of small shareholders and the stock market was one of relief that the SuperGemina plan had been shelved. But some critics believe the Ferfin rights issue could prove to be even more controversial.

erfin's reasons for the issua are clearly stated. Its debts are still high. partly because it is behind schedule with its attempts to raise L1,500bn from property sales by 1997. Two years into the sell-off programme, it has only realised L120bn. A rights issue, Ferfin says, will elimi-nate L400bn of short-term debt, repay L300bn of looming consolidated debts, and provide L190bn to underwrite a capital

increase at Fondiaria, the tent from the banking sector, insurance company that Ferfin controls.

But the rights issue seems to reverse one of the chiectives of the SuperGemina plan, which was to provide an escape route for Ferfin's former creditor banks, now among its biggest shareholders. Now, instead of reducing their investment itself a legacy of the near-collapse of Ferfin and Montedison in 1993 – the banks find themselves invited to stump up even more cash, albeit offset by the partial repayment of outstanding loans. If they renounce their rights, the shares could be taken up by an underwriting syndlcate, which will certainly be headed by Mediobanca and is likely to include its traditional banking allies, Credito Italiano, Banca

Commerciale Italiana and Yesterday, there were already rumblings of discon-

which has in the past simply bowed to Mediobanca's dominance. A number of bankers, analysts and fund managers believe the rights issue is at best a classic "poison pill", designed to deter predators from buying up Ferfin at a depressed price. It could then be broken down into its valnable component parts, which include Montedison and its profitable chemicals, agribusi-

Other observers believe Ferfin needs the cash to fulfil its unwritten promise to buy companies from Mediobanca's closest ally, Fiat. which had already forecast a probable capital gain of L150bn to L200bn from the sale of four chemicals and bioengineering subsidiaries to SuperGemina.

ness and energy subsidiaries.

Some even described the rights issue as an attempt hy Mediobanca and its allies to take control of Ferfin and

Montedison by another, even less transparent route. Once this was achieved, the original merger could be disinterred . "like a zombie", as one Italian paper put it yesterday. "This plan looks a lot less noble than the SuperGemina deal, which at least had a certain dignity about it," said one irritated banker vesterday.

hat is unclear is how keen Mediobanca'a opponents will be to use Ferruzzi-Montedison as an excuse for waging open war. Not only is Mediobanca still Italy's most powerful and most capable financial institution. Mr Enrico Cuccia, its 87-yearold honorary chairman, feels a particular sense of responsibility for the future of Montedi-son, which he helped create. Rival banks will have to show much greater spirit than they have until now if they decide to take him on.

EUROPEAN NEWS DIGEST

Cultor in talks to buy Pfizer unit

Cultor, the Finnish group, said it was negotiating with Pitzer of the US to acquire its food science business. Talks are expected to he concluded by the end of the year. Pfizer said it had signed a letter of intent and started exclusive discussions but did not disclose terms. The division, which develops and manufactures specialty ingredients for the food industry, had sales of \$232m in the first nine months of 1995, up 7 per cent from a year earlier. Last year it generated sales of \$304m and currently employs about 650 people.

Mr William Steere, Pfizer chief executive and chairman, said that for several years the food science group had made significant progress in developing and marketing innovative specialty food ingredients, but at the same time, Pfizer had increasingly focused on its healthcare businesses. Cultor said if the transaction went through, it would establish itself as "one of the leading food ingredients companies in the world; present in all key geographical markets," it said. The move would be in line with Cultor's shift in emphasis from bulk commodities to value-added products.

AFX News, New York and Helsinki

GE Capital in Budapest buy

GE Capital, the financial services arm of General Electric of the US, has signed a memorandum of understanding with the Hungarian government to take a majority stake in Budapest Bank together with the European Bank for Reconstruction and Development. The purchase would be the latest in a string of European acquisitions by GE Capital. The group, whose parent company is one of the largest investors in Hungary, had also expressed an interest in Creditanstalt Bankverein before its privatisation was delayed by early Austrian

GE Capital only recently entered the bidding for Budapest Bank, one of Hungary's leading commercial banks, which has been a candidate for privatisation for some time. Budapest Bank reported pre-tax profit of Ft2.51bn (US\$19m) on assets of Ft193bn last year. It also received Ft12bn in state securities... from the government to make it more attractive ahead of . privatisation. The bonds must be returned if the bank is not sold hy the end of the year. Virginia Marsh, Budapest

Axa to purchase fund managers

Axa, the French insurance group, said its Alliance Capital Management subsidiary had agreed in principle to buy Cursitor-Eaton Asset Management and Cursitor-Eaton Holdings for a \$141.5m mixture of cash and Alliance shares. Cursitor-Eaton Asset Management manages about \$10bn of funds, particularly pension funds, for US and overseas institutional investors.

Novo Nordisk sells plant

Novo Nordisk, the Danish pharmaceuticals and industrial enzymes producer, has sold its small biological plant protection business to Abbott Laboratories of the US. No financial details were revealed about the deal, which was concluded without the mediation of a merchant bank. The biological plant protection business, in which bugs are used to eradicate other bugs, accounted for less than 1 per cent of group turnover, with sales of about DKr90m (\$16.69m) in 1994, according to Novo Nordisk.

The divestment is part of a programme to focus on four core areas, diabetes care, hormone replacement therapy, human growth hormone, and industrial enzymes. In the 1994 annual report Novo Nordisk reported considerable success with one of its plant protection products, called Foray, for fighting gypsy moth larvae in North American forests and nun moth larvae Hilary Barnes, Copenhagen

Cap Gemini cuts losses

Cap Gemini Sogeti, the French software group, posted a loss of FFr19m (\$3.88m) in the six months to June compared with a loss of FFr115m in the same period last year. For the full year, the group said it expected to report a positive net result. Cap Gemini said first-half sales rose 7.7 per cent to FFr5.5bn in the period. Orders at the end of June were 19 per cent above and-December levels. Operating profits in the period rose 34 per cent to FFr324m. AFX News, Par

Böhler-Uddeholm advances

Böhler-Uddeholm, tha world's largest maker of tool steels, reported a further surge in pre-tax profits in the third quarter from Sch56m to Sch267m (\$29.44m) on sales up 9.5 per cent at Sch4.6bm. The partially-privatised Austrian group, which had to scale down its initial public offering of shares in March because of market conditions, said reduced costs and higher prices and volumes contributed to the much improved result.

Pre-tax profits in the first nine months of the year advanced from Sch160m to Sch933m. Sales were up 14.7 per cent to Scb13.8hn. Böhler said its order book was full through to tha second quarter of next year. The average price increases of 2 per cent to 3 per cent planned for the second half were largely" implemented.

Sales of special steel long products (bars and wire rod) rose from Sch6.7bn to Sch8.3bn in the first nine months. Welding consumable sales were flat at Sch1.5bn and strip steel sales rose from Sch1.3bn to Sch1.7bn.

Demand at well above the offer price for shares in Nouvelles

private sale of the shares to Nouvelles Frontières, in which all other shares are beld by a small number of original investors. Europe Finance et Industrie, which advised on the share offer, said yesterday that there had been more than 20 bids with prices of np to FFr120,000 a share.

BMW sales ahead 5.3%

■ Operating profits at Iberia, Lineas Aereas de Espana's parent company, rose from Pta3.9bn to Pta25.45bn (\$211m) in the nine months to September 30, said Mr Juan Manuel Eguiagaray, minister for industry and energy. Iberia's operating costs fell to Pta319bn in the period from Pta394bn. Mr Eguiagaray said strike threats could endanger the airline's bid to win EU approval for a Ptal30bn capital injection by the

of Sabena and 10 per cent of Austrian. The four have applied to the US authorities for anti-trust immunity so that they can integrate their transatlantic flight schedules.

Deutsche Post bid for Postbank backed

By Michael Lindemann in Bonn

Deutsche Post's efforts to take over Postbank, its state-owned sister organisation, were boosted yesterday after Mr Arne Börnsen, the head of the Bundestag postal committee. said a takeover would keep open the largest possible num-

ber of post offices While the committee has no formal say in the way the contentious takeover should be decided, the comments by Mr Bornsen, a member of the opposition Social Democratic party, will provide important political support for Mr Wolfgang Bötsch, the minister for post and telecommunications. who ultimately decides

whether the bid goes ahead. Deutsche Post said allowing the takeover would improve the profitability of postal

Mr Botsch will appear before the committee this afternoon to explain his views on the takeover. However, a decision is not expected until an international investment bank has drawn up a report on the takeover, a process expected to last several weeks.

Six banks - Salomon Brothers. Morgan Stanley. J. P. Morgan, Merrill Lynch, Schroders and Union Bank of Switzerland - attended briefings in Bonn yesterday, during which the requirements of the report were outlined. One of the banks is expected to be nominated on November 2. In a surprise bid, still rare in

Germany, Deutsche Post, the

offered DM3.1bn (\$2.2bn) for a 75 per cent stake in Postbank several weeks ago. Dentsche Post wants to take a 40 per cent stake with a further 20 per cent going to Deutsche Bank and 15 per cent to Schweizerische Rückversicherung.

nationwide postal service.

Mr Friedel Neuber, head of WestLB, the leading public sector bank, is one of several bankers who have complained recently that Deutsche Bank is playing too big a role in the Postbank takeover.

EBRD criticises Slovnaft management buy-out

By Vincent Boland in Prague

The European Bank for Reconstruction and Development yesterday sharply criticised a management buy-out at Slovnaft, the Slovak petro-chemical group, in which the bank bought a 10.5 per cent stake earlier this year. The sale of 39 per cent of Slovnaft to 19 of its top executives came after the company's \$112m global share offering, shunned by investors and which the EBRD stepped in to rescue.

Mr Jiri Huebner, bead of the EBRD's Slovak and Czech team, said yesterday the bank was "unhappy with a number of aspects" of the MBO, and was discussing its concerns with Slovnaft and the Slovak National Property Fund, which sold the stake to management. At issue are the terms at which the stake, with a book value of Sk6.4bn (\$218m), was sold to Slovintegra, the buy-out

Mr Huebner said the sale was executed at less than market value without a competitive tender, it was also not signalled in the prospectus issued to coincide with the GDR issue, which was led by PaineWeb-

ber, the US investment hank. "Had we known what the terms of the MBO were, we probably would not have become an investor under the terms that we did," Mr Huebner said. The GDR was priced at Sk1,000 a share and the EBRD paid some \$59m for its stake.

The EBRD has proposed

is now under further discussion, but Mr Huebner would not say if the EBRD is seeking a "buy-back" deal for its stake.

The EBRD's stance reflects growing concern at the Slovak government's use of MBOs. without competitive tenders, to reduce its stakes in industry. Mr Huebner said that while the bank supports MBOs as a form of privatisation it was inappropriate in Slovnaft's case because the company is

October 2, 1995

Grupo Financiero Banamex Accival, S.A. de C.V.

AEGON N.V.

have formed a strategic alliance for life insurance in Mexico.

The undersigned acted as financial advisor to Grupo Financiero Banamex Accival, S.A. de C.V.

S.G.WARBURG

BCP posts advance at nine-month stage

By Peter Wise in Lisbon

Banco Comercial Portuguès. Portugal's biggest commercial banking group, vesterday reported a net consolidated profit of Es14.22bn (\$96.8m) for the first nine months of 1995. up from Es13.16bn in the same period last year.

The results were not directly comparable, as BCF's total assets more than doubled in the intervening period - from Es2.052bn to Es5.455bn - as a result of its acquisition of Banco Português do Atlântico for Es30Sbn in March. Cash flow jumped to

Es106.4hn in the first three quarters of 1995 from Es42.9bn in the same period in 1994 following the takeover of BPA, which increased BCP's share of Portugal's total banking assets from 8 per cent to 20 per

Loans totalled Es1,997bn in September, down from Es2,001bn in June, but up from Es817bn a year earlier. Earnings per share rose 8 per cent over the year to September, to Es129.7. Cash flow per share jumped 56.5 per cent to Es961.1.

BCP said earnings growth in the first three quarters was income from commissions. premiums. BCP is the only Portuguese bank that is allowed to consolidate its insurance activities

1994 Source: FT Extel A Lisbon analyst said BCP's profit growth had been restricted by the cost of taking over BPA, including goodwill

Share price relative to the BTA index

depreciation and restructuring costs, and by the narrowing of net interest margins - the difference between the rates at which banks raise and lend funds. As a result of tougher

competition between banks in Portugal, interest margins as a whole are at their lowest level since they began falling from a peak of 5.6 per cent in 1990. BCP said its margin was 3 per cent in the third quarter. BCP is the least dependent of

mainly driven by increased. Portugal's biggest eight banks on net interest income, which gross revenue in 1994. Mr Jorge Jardim Gonçalves, BCP president, sald yesterday

the fall in margins appeared to be bottoming out. AssiDomän

By Vincent Boland

AssiDomän, the Swedish pulp and paper group, may be forced to rethink its strategy towards Sepap after Stratton, the US investment company, said it controlled a majority of the Czech paper mill.

The Swedish group bought 32 per cent of Sepap earlier this year and signalled its intention to take its stake to more than 50 per cent. However, the US investment

company, owned by Mr Michael Dingman, said yesterday it owned hetween 20 per cent and 35 per cent of Sepap. It bought the shares from

the Harvard investment funds run hy the Bahamas-hased Czech entrepreneur Mr Viktor Kozeny. "Voting with the Harvard Funds, as agreed, Stratton now controls a majority of ontstanding Sepap shares," Stratton said.

Mr Tomas Sabatka, Sepap's chief executive, said last night the was "very bappy with the change of ownersbip". He suggested a proposed share issue by his company, through which AssiDoman had planned to take its stake to 51 per cent. would bave to be discussed between Stratton and Assi-Doman. "The situation has changed. First there will have to be negotiations between the co-owners." Mr Sabatka said. AssiDoman could not be reached for comment. There is speculation in

Prague financial markets that Stratton might be seeking an eventual link-np hetween Sepap and Biocel Paskov, another Czech paper group.
Biocel is believed to be among
eight companies in which the
US investor bought stakes
from Harvard in a \$140m deal. Biocel has already expressed its interest in bidding for a 51 per cent staka in Olsanske Papirny, a third Czech paper group, Czech National Prop-

erty Fund, the state holding

company, is seeking buyers for

the stake in an toternational

BK Vision loses race for | seeks damages Sepap control of SFr242m

By Ian Rodger in Zurich

BK Vision, the investment company controlled hy Mr Martin Ebner's BZ financial group, has stepped up its legal battle against Union Bank of Switzerland, charging the eight members of the executive committee of the bank's board with failing to fulfil their responsihilities as directors.

It is demanding the eight, all pillars of the Swiss business community, pay SFr242m (\$214.9m) in damages. BK Vision, which is UBS's largest shareholder, has already chal-lenged in a civil suit the validity of a vote at an extraordinary sharaholders' meeting last Novamber to unify the bank's share structure. It has also laid criminal charges against Mr Robert Studer, UBS chief executive, and other executives, accusing them of wil-fully damaging the bank. UBS denies all the charges.

BK Vision claims UBS executives oversaw the purchase of large volumes of the bank's registered shares in advance of the vote even though it was almost certain that the value of those shares would decline after the vote. It said the SFr242m figure

was based on its estimate of the bank's losses arising from its transactions in its own shares. In UBS's 1994 annual report, the group revealed it had written down the value of its holdings of its own shares at the end of the year by SFr236m. But the bank has pointed out that this did not represent an actual loss. The eight accused directors

are Mr Nikolaus Senn, UBS chairman; Mr Robert Favarger and Mr François Milliet, vicechairmen: Mr Hannes Goetz, chairman of Swissair, Mr Markus Kundig, a leading Swiss publisher: Mr Rolf Meyer, finance director of Ciba, the health products group; Mr Alfred Schindler, chairman of Schindler, the elevators group; and Mr Peter Spätti, chairman of Winterthur Insurance.

Leisure group shares re-sold

Demand at well above the offer price for shares in Nouvelles Frontières, the French leisure group, yesterday prompted the seller to put them back on the market at 10 per cent above their introductory asking price last Friday of FFr73.350.

Ms Catherine Cadepond, the divorced wife of a founding shareholder in the group, put 10 of her 566 shares onto the French hors-côte market after she failed to agree terms for a private sale of the shares to Nouvelles Frontières in which all

Under market rules, a transaction cannot be completed if the offer price was more than 10 per cent above the asking price. The shares must go back on offer at this new level until the final price falls within the margin.

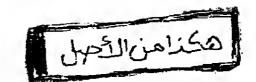
Andrew Jack, Paris

BMW, the German luxury cars group, said group sales, BMW, the German luxury cars group, said group sales, excluding Rover, climbed 5.3 per cent to DM25.06bn in the first nine months of the year from DM23.8bn in the same period last year. Car production, excluding Rover, rose 10.7 per cent to 459,051 units from 414.599. BMW said Rover car production totalled 365,000 units in the reporting period, up 3 per cent from a year earlier. Rover sales totalled DM8.87bn, the company said, without giving year-earlier figures. Including Rover, group car deliveries totalled 797,849 units.

AFX News, Munich

Spanish government. ■ Delta Air Lines of the US, Swissair, Sabena of Belgium and Austrian Airlines are examining proposals which could lead to joint branding of the four airlines. Delta and Swissair hold 5 per cent stakes in one another and Swissair owns 49.5 per cent

Michael Skapinker, Aerospace Correspondent



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INTERNATIONAL COMPANIES AND FINANCE

* Telefónica unit buys into Argentine cable TV group

Tisa, the international arm of Spain's Telefonica, is to buy 25 per cent of Multicanal, the Argentine cable TV group, intensifying the battle for Argentina's cable market.

Tisa has signed a letter of intent to invest an unspecified amount in Multicanal, which is controlled by Argentina's

Clarin media group. Clarin, which also owns Argentina's best-selling newspaper, holds 70 per cent of Multicanal, while Citicorp Equity investment has the remaining 30 per cent. After a new issue of shares, all of which would be bought by Tisa. Clarin would be left with 52.5 per cent

and CEI with 22.5 per cent. Mr Omar Dirrocco, executive director of Multicanal, said yesterday that Tisa's investment would probably run to bundreds of millions of dollars. CEI, which bought its 30 per cent stake in Multicanal last

August, paid \$150m, he said. Mr Dirrocco said the injection of capital would allow Multicanal to "expand in the acquire new technology". Argentina, where at least 40

per cent of homes are booked up to cable, has by far the highest cable penetration in Latin America and one of the highest in the world.

There are some 1,400 cable companies in Argentlna, though the market is dominated by Cablevision, con-trolled by TCI of the US, VCC, owned by Time Warner; and Multicanal, Last year, TCI paid nearly \$800m for an 80 per cent stake in Cablevision.

Ms Dolores Ramos Oneto, telecoms analyst at Banco Privado, said Multicanal was building up a network in preparation for the deregulation of the telecommunications sector, due no later than the year 2000. Multicanal, which began

said. The company wanted to improve the scope and efficiency of its network as

quickly as possible.
Mr Dirrocco said Multicanal had 580,000 aubscribers, which be claimed was more than Cablevision. Data on Argentina market share are extremely inaccurate.

The Multicanal deal will require approval from the Comision Nacional de Telecomunicaciones, the industry regulator. Local telephone operators are not permitted to offer cable aervices. The CNT recently objected to an advertising campaign by Telefonica de Argentina, controlled by Tisa, in which the company appeared to be offering cable

Mr Dirrocco saw no reason why Tisa, which be said was entirely separate from Telefonica de Argentina, sbould be prevented from entering the after its competitors in 1989, cable market. "In theory it is did not have the "power or not prohibited," be said.

Melville joins US retailers shedding specialist chains

By Richard Waters

Melville, a struggling US retailer, is to spin off two companies and sell two more, making it the latest in a line of retailers to sbed specialist

The unbundling of Melville will leave the company, based in Rye, New York, concentrating largely around a drug store chain, CVS. Two other retail businesses may also be spun off at a later stage.

Melville joins a list of better-known retailers, such as Woolworth. Kmart and The Limited, which have carried out or discussed disposals of specialist chains recently. Though a successful retailing format during the 1980s, many such chains have suffered in the 1990s as spending habits have changed and big discount retailers have prospered.

: Melville's move follows pres-

holder, the California Public Employees' Retirement System, which earlier this year added the company to its list of

During the 1980s, Melville was one of a number of U\$ retailers to grow fast on the strength of its successful specialist retailers, with CVS and Marshalls, a discount clothing store, accounting for the bulk of the growth. In the 1990s, though, its profits have slumped. The company's after-tax earnings slipped 9 per cent last year, to \$305m.

Melville had already announced a plan to sell Marshalls, in a deal valued at \$550m that will lead to a fourth-quarter charge to profits of \$195m.

The moves announced vesterday will take the total aftertax charge for the quarter to \$780m, and the company said it would also consider a "substantial reduction" in dividend sure from its largest share- at its January board meeting.

The two businesses to be spun off are Melville's footwear businesses, based around three

separate chains, and its toy underperforming investments. retailer, Kay-Bee. Two other divisions - Wilsons and This End Up - will be sold, while two more that will remain with CVS may eventually be spun off as well, Melville added. Mr Stanley Goldstein, chairman, said that "fundamental change is taking place in the retail industry, and that the company's plan would allow

each business to pursue its own strategy. It would also leave the three companies in a better position to form their own investment plans and dividend policies, he added. With 1,356 stores and sales

last year of \$4.3bm, CVS is one of the largest drug store chains in the north-eastern US. Melville's footwear business had sales of \$1.8bn last year, while Kay-Bee's 1,1012 stores generated revenues of \$1bn; Marshalls' revenues were \$2.4bn.

Chevron held back by one-off charges

By Christopher Perkes in Los Angeles

The closure for re-fitting of Chevron's refinery in Ricb-mond, California, will continne to affect results in the fourth quarter, the US oil concern said yesterday.

However, while special charges reduced third-quarter net income by 34 per cent to \$282m, earnings rose 24 per cent to \$504m when these oneoffs were excluded.

Charges totalled \$222m and included \$168m in provisions related to the impending disposal of Chevron's real estate development business. Mr Ken Derr, chairman, said

operating earnings increased almost \$100m in the quarter

despite flat crude oil and lower natural gas prices. Profitability, in terms of return on capital employed, had risen to 10.2 per cent in the 12 months to the end of the third quarter, compared with 8.6 per cent in the 1994

calendar year and Chevron's target of 12 per cent. Mr Derr said the Richmond refinery would be closed for about six weeks in preparation for production of new petrol varieties needed to meet California'a vehicle emission laws. The plant would make Chevron the biggest producer of the new fuels, be added.

In common with other US oil majors which have reported so far, Chevron announced far better results - especially in its chemicals operations than analysis had expected. However, while noting the sector's earnings of \$127m were almost double the 1994 figure the group added that "prices for major prodocts began to soften in the quarter".

• Phillips Petroleum also reported profits progress yesterday, raising earnings per share for the first three quarters to \$1.37 compared with \$1.23. It said chemicals margins - especially for ethylene and polyethylene - bad improved substantially.

Net operating income in the

sector almost doubled to \$114m, against last year's third-quarter figure of \$66m. See Lex

Going back down a familiar path DLJ returns to the New York Stock Exchange, writes Maggie Urry

There may be a sense of deja vu at Donaldson. Lufkin & Jenrette this morning as shares in the securities firm once again trade on the stock market The firm, founded in 1959.

weot public in 1970, becoming the first New York Stock Exchange member to be quoted it was taken over by the Equitable insurance group in 1985, but after 10 years DLJ is going public once more.
The plan is for Equitable to
keep at least an 80.2 per cent

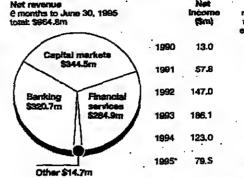
stake in DLJ beyond the end of 1996, enabling it to consolidate DLI for tax in that year. Thereafter, if employees take full advantage of options and a restricted stock plan, Equitable's stake could fall to 63.3 per cent by February 2000, with employees owning 21 per cent and the public the rest.

Having considered a flotation in 1993, but deciding against, Equitable looked for a buyer for DLJ early this year but apparently found no interest at the right price. Now, though, DLJ and its parent appear to have picked a good time for a flotation.

Indications before last night's pricing were that the issue had been well received and a price towards the higher end of the indicated \$28 to \$29 range was expected. That suggests the float will raise significantly more than the \$240m minimum, which is being split roughly one-third:two-thirds between DLJ and its parent.

DLJ, which is lead managing its own float, brought forward the pricing of the shares by

Donaldson, Lufkin & Jenrette



one day and increased the size of an issue of senior debt to be

in favour this year as the recovery in stock markets has led to sbarply rising profits after the difficulties of 1994, when repeated increases in interest rates hit the markets. In the prospectus, DLJ estimated that net income for the first nine months of 1995 would be \$121m, almost equalling the

loan to a company which is in financial difficulties.

focuses on doing business for

5.0 28.1 50.1 23.4

* 8 months ended June 30

priced today. Brokerage shares have been

total for 1994. Profits would bave been even higher but for a \$25m pre-tax charge DLJ bas provided against a short-term

As well as coming at a particularly sensitive time, the charge takes the shine off DLJ's claim to have a more stable earnings stream than many of its competitors.

DLJ's prospectus boasts it

clients, not itself, "an approach that reduces the company's exposure to market volatility its strategy is to concentrate on lines of business where it has a good name and can earn

a good return. The banking group concentrates on raising capital and advising companies on deals. Capital markets operations include research and trading of equities and fixed-interest securities, while the financial services arm brings more stability through its clearing business.

oody's, the credit rating agency, com-mented when rating DLT's senior debt issue that much of the group's growth had come through a selective approach to hiring people and allocating resources to particular businesses

Even so, DLJ faces challenges along with the rest of

the sector. Securitles firms' share prices have come off the boil in recent days - partly. analysts suggest, following Mr Warren Buffett's decision not to exercise an option to convert \$140m of preferred stock into Salomon shares. Further ahead, the prospect

of alliances between commercial banks and investment banks, following the expected lifting of Glass-Steagall restrictions, is expected to put pres-sure on investment banks with their lower capital backing.

With five and a half pages of the prospectus devoted to the risks DLJ faces, investors are well aware of potential prob-lems. And Equitable's decision to reduce its stake in DLJ suggests it is seeking less volatility in its earnings. If DLJ cannot expect to break free from its sector, it must at least prove it can continue to out-

Northern Telecom posts 43% advance

By Robert Gibbens in Montreal

Northern Telecom, Canada's international telecommunications equipment maker, posted strong gains in third-quarter sales and earnings, due mainly to continuing growth in Its European and Asia-Pacific

Revenues were up 24 per cent to US\$2.49bn, against \$2bn a year earlier, and net profit was \$80m, or 32 cents a share, up 43 per cent from \$56m, or 22

Orders totalled \$2.69bn for

Operating income

the quarter, up from \$1.95bn previously, reflecting strength in international markets.

Nortel's earnings for the nine months were \$220m, or 87 cents a share, more than double the \$108m, or 43 cents, in the comparable period a year earlier. Revenues were \$7.2bn, up 17 per cent from \$6.1bn a year earlier.

In the 1994 period Nortel posted a 29 cents a share gain on an asset disposal, bringing total earnings to 72 cents a

Orders for the nine months

totalled \$7.25bn, against \$5,62bn

Mr Jean Monty, president, said the 38 per cent gain in orders represented strong growth of switching, broadband, wireless and multimedia and data systems business. Recent awards in Mexico and the UK pointed to growing turnkey contract business.

The wireless, multimedia and data systems sectors did well in Europe, the US and Asia-Pacific in the third quarter, said Nortel, and switching network revenues rose significantly, chiefly in Europe. Selling, general and administrative expenses were 18.8 per

cent of revenues against 19.4 per cent in the third quarter of 1994, bot were higher in the nine months reflecting rising investments in international wireless and broadband network markets.

Third-quarter R&D spending was \$406m, or 16.3 per cent of reveoues, against 14.7 per cent a year earlier; and in the nine months, \$1.13bn or 15.7 per cent of revenues, against 13.3 per cent a year earlier.

IKB: Financial Year 1994/95

IKB Deutsche Industriebank AG achieved healthy growth again in the 1994/95 financial year: our . new loans to more than 2,000 clients - mainly medium-sized companies - reached a volume of DM 7.8 billion, while our claims on customers rose by 5.3% to DM 33.7 billion.

Continued Growth and High Earnings

This positive development was primarily driven by loans to domestic clients which accounted for 84% of total lending. The highest growth rates were achieved in international financing where Hermes-secured credits for exports 10 South-East Asia and loans to our corporate clients for investments in western and central Europe made sizeable contributions.

Due to the great interest of our corporate clients in financial support for their investments in central Europe we have devoted the first part of our annual report to the countries in that region.*

As a result of our flourishing credit business and efficient cost management we boosted our operating income by 13.5% to DM 262 million in the 1994/95 financial year. It is for this reason that

 For a copy of the IKB Annual Report 1994/95, please call, write or send a fax with your address to: IKB Deutsche Industriebank AO. VM2, P.O. Box 10 11 18, D-40002 Disseldorf, Germany. Tel: (211) 8221-752, Fax: (211) 8221-766.

the annual general meeting decided on October 20, 1995, to increase the dividend by DM 1 to DM 12 per DM 50 share.

During the first six months of the current financial year (April 1 - September 30, 1995) new loans reached DM 3.5 billion. In addition the following increases took place between March 31 and September 30:

- Assets + 1%
- Claims on customers +2%

In comparison to the same period last year the growth rates of selected profit & loss items are:

- Net interest income + 9.6%
- Administrative expenses +5.5%
- Operating income +14.2%

Dr. Alexander v. Tippelskirch Spokesman of the Board of Managing Directors IKB Deutsche Industriebank AG

Key Figures from the Consolidated	Balance Sheet		
	March 31, 1995 in DM million	March 31, 1994 in DM million	Change % from year earlier
Balance sheet total	42,910	40,351	+ 6
Claims on customers	33,665	31,968	+ 5
Liabilities to banks	19,122	17,993	+ 6
Liabilities to customers	5,603	6,241	- 10
Securitised liabilities	13,494	12,152	+ 11
Liable funds			
Subscribed capital and reserves	1,899	1,506	+ 26
Subordinated liabilities and			
participation certificates	1,208	1,208	. .
Gross income (net interest,			
commission and leasing income)	613	557	+ 10
Administrative expenses	215	206	+ 4
Provisions for risks	160	149	+ 8

+ 14



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Merrill Lynch International Limited

Sanwa International plc

Universal (U.K.) Limited

Marusan Europe Limited

Mitsubishi Finance International plc

D. E. Shaw Securities International

SBC Warburg

Tokai Bank Europe plc

CI Limited



(Registration number 65/08888/06)
(All companies mentioned are incorporated in the Republic of South Africa) GROUP GOLD MINING COMPANIES Summary of reports: quarter ended 80 September 1995

Randfontein Estates The Randontein Estates Gold Mining Company Witwell Registration number 01/00251/06

		rter ended
	30.09,95	30.06.95
Ore milled - tons (000)	1 772	1 681
Yield - grams per ton Working cost	3,26	3,30
- per ton milled	R127,69	R135,72
 per kilogram produced 	R39 227	R41 131
	R000	R000
Profit before tax	44 835	39 173
Profit after tax	31 609	35 888
Dividend '		61 136
Capital expenditure	13 341	20 488

Western Areas

Registration num	ber 59/03209/05				
	Quarter ended				
	30.09.95	30.06.95			
Ore milled - tons (000)	683	589			
Yield - grams per ton Working cost	6,65	6,58			
- par ton milled	R247,37 .	R266,70			
- per kilogram produced	R37 190	R40 549			
	R000	R000			
Profit before tax	58 391	24 293			
Profit after tax	49 291	23 894			
Dividend		40 314			
Capital expenditure	67 647	65 455			

H. J. Joel

		rter ended
	30.09.95	30.06.95
Ore milled - tons (000)	198	175
Yield - grams per ton Working cost	5,77	5,18
- per ton milled	R251,57	R266,77
– per kilogram produced	R43 579	R51 529
	F1000	R000
Profit/(loss) from gold	2 285	(5 344
Capital expenditure	19 651	8 565

All figures are unaudited. Quarterly reports have been mailed to the shareholdars of each company. Copies of the reports may be obtained from JCI (London) Limited, 6 St James's Place, London SW1A 1NP.

U.S. \$400,000,000 National Westminster Bank Floating Rate Capital Notes 2005

In accordance with the provisions of the Notes, notice is hereby given that for the six months Interest Period from October 25, 1995 to April 25, 1996 the Notes will carry an Interest Rate of 5.9375% per annum. The interest payable on the relevant interest payment date, April 25, 1996 against Coupon No. 22 will be U.S. \$301.82.

By: The Chase Manhattan Bank, N.A. London, Agent Bank October 25, 1995

Christiania Bank og Kreditkasse of of Norman w

U.S.\$100,000,000 ubordinated Notes Due October 1997

Notice is hereby given that the Rate of Interest has been fixed at 6.1875% and that the interest payable on the relevant Interest Payment Date April 25, 1996, against Coupon No. 21 in respect of US\$10,000 nominal of the Notes will be US\$14.53 and in respect of US\$250,000 nominal of the Notes will be US\$7,863.28.

October 25, 1995, London By: Cribank, N.A. (Issuer Services), Agent Bank CITIBANG

CTTIMARKETS 16, Avenue Marie - Thérèse, L-2132 Luxembourg

NOTICE TO UNITHOLDERS

Citimarkets S.A., acting as the Management Company of Citimarkets (the "Fund"), and with the approval of Citibank (Luxembourg) S.A. as Custodian, has decided to change the financial year end date of the Fund from December 31st to March 31st.

The next audited report available will be besed on the financial figures as at March 31st, 1996.

Citimarkets S.A.

LEGAL NOTICES

Plea Fields Limited in retriversh

Joint administrative receivers appointed 1 September 1995

ABB International Finance N.V. Can \$150,000,000 Collared Floating Rate Notes due 2003

For the Interest Period 20th October, 1995 to 22nd January, 1996 the Notes will carry a Rate of Interest of 6.38167 per cent. Oer angum. The Course American per annura. The Coupon Amount per Can \$1,000 Note will be Can \$16.43 and per Can \$10,000 Note will be Can \$164.35 payable in Zind January, 1996.

Bankers Trust Company, London Agent Bank

I September 1995
Notice is hereby gives, pressure to section 48(2) of the handwersey Act 1986, that a menting of the tamoured creditions of the above-messed company will be held at St James Hourl, St James Sanse. Oritisaby 1983 in Elevan Found or Laboration 1995 at 11.00 are Creditions whose claims are wholly secured are not emitted to attend or be represented as the meeting. Other creditions are tonly cartified to vate fit at they have delivered to use at the address shown below, by no laser than noon on 184 October 1995, writing delivers of the debut they claims to the debut delivered to use at the address shown below, by no laser than noon on 184 October 1995, writing delivers from the ecompany and the claim has been deeped with the provisions of Rule 3.11 of the landwersey, Roles 1996, and by there has been ledged with us any proxy which the credition intends to be used on his or her behalf. Dated: 10 October 1995 Signed: D I Stokes and M J Moore Joint Administrative Receivers. Coopers & Lybrand, I East Pando, Sheffield S1 2ET

ADELANDE BANK LIMITED MULTIPLE OPTION FACILITY In accordance with the provisions of the Transferable Loan Cardificate based on April 21, 1994, notice is bereiby given that for the three months interest period from October 34, 1995 to Jamery 24, 1996, the Certaficate will carry an interest Rate of 6,6125% per annum.

Barcleys Back PLC, Hong Kong As Pacillay Agent

CANADIAN PACIFIC MINITED (Incorporated in Canada)
ONTARIO & QUEBEC RAILWAY
COMPANY 5 PER CENT BEBENTURE STOCK & FER CENT COMMON STOCK In preparation for the payment of the half-youth miseast payable on December 1st next, the Debottom Stock transfer books will be cloud at 3.00 pay, no November 1 and will be re-opened on December 4.

The half-yearly expense on the Common Stock will be paid on December 1 to holders of second on November 1.

D.R. Kense, Deputy Scottary 62-65 Trafisigm Square, Landon, WC2N SDY Octuber 28 (1945)

The Republic of Argentina New Money Bond Due 1999 Notice is Hereby given that for the interest period beginning on October, 25th, 1995 and ending on April 25th, 1996. The Bond will carry an interest rate of 6.9375% Per Annum.

> Banco Central De La Republica Argentina Republic of Argentina Financial Agent.

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INTERNATIONAL COMPANIES AND FINANCE

Stronger than expected result from Digital

in San Francisco

Digital Equipment, the US computer group, reported stronger than appected firstquarter results, its fourth consecutive quarter of profitability after four years of heavy

Net income for the quarter was \$48m, or 26 cents a share, compared with a net loss of \$131m, or 98 cents, for the same period last year. Total operating revenues wera \$3.27bn, up 5 per cent from a comparable \$3.12bn. Revenue from ongoing businesses grew

1) per cent. Gross margin for the quarter rose from 30.2 per cent to 32.2 per cent. Operating expenses dropped 12 per cent to \$991m, the lowest level in eight years. After cutting 12,300 jobs in the past year to end the quarter with about 61,500 employ-

ees, overall employment is expected to rise, Digital said. Revenues from computer product sales, adjusted for divestments, rose 22 per cent to \$1.8bn. Personal computer revennes were up 32 per cent for the quarter. Although this segment of Digital's business is operating at a loss, it should

achieve profitability in the sec-

ond half of the fiscal year. Sales of Digital's Alpha systems, the company's core products, increased 40 per cent, with much of the growth coming in Alpha servers for compnter networks. Traditional VAX minicomputers, however, continued to decline and now represent only 5 per cent of

Digital ended the quarter with \$1.5bn in cash, down from \$1.6bn at the end of the previous quarter. Shortages of compoments caused some manufac-turing delays and resulted in higher than planned invento-

roduct revenu

ries, the company said.

• Amdahl, the US mainframe computer manufacturer, reported improved earnings, despite a drop in revenues.

Net income for the quarter was \$20m, or 17 cents a share on revenues of \$350m, against \$14.3m, or 12 cents, on reve-mes of \$364m a year earlier.

Sales of computer upgrades continued to outpace sales of new systems. New businesses, open systems computers, consulting and applications devel-opment software accounted for 15 per cent of revenues in the quarter, up from 9 per cent in the same period last year.

and personal computer systems was offset by a decline

in large computer systems

sales, the company said. Earlier this month, Unisys

announced plans to realign its operations into three indepen-

dent business units: informa-

tion services; computer systems; and global support services, which will reduce costs by at least \$400m by the

end of 1996.
"Although the realignment

will have a disruptive effect on our results in 1995, it should

put us in position to achieve

visible operational and finan-

cial progress in 1996," Mr

James Unruh, chairman and chief executive, said.

ing charge in the fourth quar-ter to cover the costs of the reorganisation. The size of the

charge and impact on employ-

income from continuing

operations was \$39.7m. or a

For the year to date, net

ment are yet to be determined.

Unisys will take a restructur-

Unisys in the red in third quarter

By Louise Kehoe in San Francisco

Unisys, the US computer manufacturer, reported a net loss for the third quarter of 1995. Results from US and European operations were weak, the company said, and sales of traditional mainframe computers declined.

However, Unisys' newer businesses, including depart-mental servers and desktop computers, information ser-vices and desktop computer registered services, double-digit growth rates during the quarter.

Net losses for the quarter were \$32.2m, or 36 cents a primary share, against net Income from continuing operations of \$30.8m, or 1 cent a share after preferred dividends last year.

In May, Unisys completed the sale of its defence business. Total net income for the third quarter last year, including the defence business, was \$42.9m or 8 cents a share.

Revenues declined slightly from \$1.48bn to \$1.46bn. Strong

loss of 29 cents a primary share after preferred dividends. Last year, net income was \$88.1m. or a loss of 2 cents a share growth in information services after preferred dividends.

Cray Research lifts sales but stays in loss

By Louise Kehoe

Cray Research, the leading supercomputer manufacturer, reported continuing losses for the third quarter, but new orders increased and revenues were up 21 per cent from the second quarter.

The company, which is struggling in the face of a decline in sales of high-and supercomputers to its traditional government customers, said it would in future focus on "target markets", end some activities and outsource others.

"This change in our activities will result in further job declines and additional restructuring charges will be taken in the fourth quarter, said Mr Phillip Samper, chairman and chief executive, who joined the company earlier this

Net losses for the quarter, after restructuring charges. were \$13.5m, or 54 cents a share, on revenues of \$169m.

revenues of \$219.9m in the same quarter a year ago.

"Our third-quarter operating results continued to show improvements over the previous quarters this year and the fourth quarter will be better on an operating basis," Mr Sam-The company will not

achieve its goal of breaking even for the year, he said, but restructuring actions "are setting the stage for a profitable 1996, particularly in the second half of the year".

Orders booked in the quarter totalled \$147m, up 18 per cent from the second quarter of 1995, and the backlog at the end of the quarter, at \$355m, was at the highest level in seven quarters. For the year to date, Cray

reported a net loss of \$200.7m, or \$7.95 a share, after restructuring charges, on revenues of \$440m. For the same period last year net earnings were \$46.2m, This compares with net earn- or \$1.78, on revenues of \$685m.

AMERICAS NEWS DIGEST

UAL ahead sharply in third quarter

UAL, parent of United Airlines, reported its best-ever quarter for the three months to September 30 and said current bookings showed the strength continuing. The shares rose \$6% to \$176% in morning trading.

The group, which became majority-owned by its employees in July 1994, beat market expectations with third-quarter net income np from \$82m to \$243m, and earnings per share ahead from \$4.21 to \$12.87 fully diluted.

UAL and AMR, owner of American Airlines, are in talks with USAir over possible alliances or even a takeover.

Revenues in the quarter rose 8 per cent to \$4.13bn, while costs rose 4.5 per cent to \$3.66bn, roughly in line with a 4.4 per cent rise in capacity. Mr Gerald Greenwald, chairman and chief executive, applauded the "cost conscious attitude of our

employee owners". Mr Greenwald said the airline was gaining "a greater share of high yield customers". Although the number of miles flown by passengers rose only 0.5 per cent to 31bn, reducing the load factor from 76.6 per cent to 73.7 per cent, revenue per passenger mile rose 8.1 per cent to \$11.37.

SIE

Dean Witter rises 19% in term

Strongly rising profits from Dean Witter, Discover's securities business made up for sluggish growth from its credit card activity to produce a 19 per cent rise in third-quarter net income from \$185m to \$219m. Earnings per share rose from

\$1.06 to \$1.23 fully diluted. For the first nine months, net income was a record \$678m. up 13 per cent, with earnings per share up 11 per cent to \$3.83 fully diluted.

Net income from the securities activity rose from \$74.9m to \$107m in the quarter and was up 23 per cent for the first nine months to \$294m. Mr Philip Purcell, chairman and chief

executive, said the business had taken advantage of strong financial markets and kept costs under control. The credit card operation increased net income from \$110m to \$112m in the quarter, and from \$363m to \$385m in the first nine months. Revenues rose more rapidly, by 15 per cent in the quarter and 17 per cent for the nine months. Operating expenses rose faster than revenues, and loan loss provisions

Crédit Lyonnais agrees sale

Crédit Lyonnais of France has reached agreement to sell its Chilean subsidiary to Dresdner Bank's Latin American subsidiary, Deutsche-Südamerikanischer Bank. The German bank will pay \$48.8m for an 88.3 per cent stake and will become the first German bank to operate in Chile. The price represents 1.2 times the Chilean bank's book

value, and local analysts say this is in line with other recent bank purchases, such as the sale of the Chilean subsidiary of Banesto, the Spanish bank. Credit Lyonnais Chile has only two branches, both in Santiago, and 180 employees. Its total loan portfolio at the end of September was \$184m, which represents less than 1 per cent of market share. The sale is part of the French bank's policy of contraction in the region. Imogen Mark, Santiago

Monsanto turns in 21% advance

Lower feedstock costs boosted gross profit margins at Monsanto, the US chemicals company, in the third quarter, fuelling a 21 per cent advance in net income to \$140m on sales which were up 7 per cent at just over \$2bn. Earnings per share rose from 99 cents a year before to \$1.18.

Monsanto's figures also benefited from a \$7m after-tax gain from legal settlements and a \$20m addition to operating profits from revenue adjustments in its pharmaceuticals business.

Operating income from the company's agricultural products jumped 46 per cent to \$41m, aided by stronger sales of the product Roundup, while income from chemicals rose 32 per cent to \$90m. The food ingredients business reported operating income of \$42m, a rise of 44 per cent, while the revenue adjustments and record sales in the Searle pharmaceuticals business led to a three-fold increase in earnings to \$62m.

Richard Waters, New York

Price rises help Abitibi-Price

Higher paper prices spurred a 38 per cent gain in Abitibl-Price's third-quarter sales to C\$763m (U\$\$557.6m) from C\$553m a year earlier. Net profit was C\$84m or 91 cents a share, against a loss of C\$5m or 4 cents.

The big North American newsprint producer's nine-month earnings were C\$183m, or C\$1.95 a share, against a loss of C\$61m, or 74 cents, a share. Sales were C\$2.04hn against

Abitibi said it expected to continue the record pace for the Robert Gibbens, Montreal

Higher output boosts Cominco

Cominco, the big Canadian mining and metals producer controlled by the Teck group, posted better third-quarter earnings with higher prices and shipments of zinc, lead and nickel. Net profit was C\$22m (US\$16m) or 25 cents a share, up from C\$16.7m, or 20 cents, a year earlier, on sales of C\$417m against C\$292m. Nine-month profit was C\$65.7m, or 78 cents a share, against C\$64.3m, or 78 cents, which included a 55 cents a share special item. Sales were C\$1.1bn against C\$774m.

Refined zinc output was up because of improvements at Trail, British Columbia, and the acquisition of a Peruvian refinery. Installation of the Kivcet lead smelter at Trail is on schedule for a late-1996 start-up.

Rio Algom shows growth

Higher copper prices and strength in metals distribution helped Rio Algom to post third-quarter earnings of C\$27.4m (US\$20.02m), or 53 cents a share, up from C\$21.2m, or 41 cents, a year earlier on revenues of C\$583m against C\$316m. Nine-month profit was C\$98.1m, or C\$1.89 a share, up from

C\$45.2m, or 89 cents, on revenues of C\$1.6bn against C\$852m. Copper output was 145m lbs against 106m lbs. Average LME prices were US\$1.34 a pound against 98 cents a year earlier. Rio's average production cost in both periods was 63 cents a pound. The latest period includes a C\$14m reserve for inventory adjustment, partially offset by a gain on the sale

of 9.9 per cent of the Australian metals wholesaling unit.

Firm prices boost US copper producers

By Laurie Morse In Chicago

quarter.

Firm prices and big production increases contributed to strong third-quarter profits at tha largest US copper-producing

companies. Copper prices during the quarter averaged \$1.36 a pound, and while not all companies realised those prices because of hedging strategies, all performed significantly better than in the 1994 third

However, analysts say the outlook for copper companies is more uncertain than it has been in nearly two years, as the industry faces softer economic conditions around the

world and a potential weaking in demand.

At the same time, significant new production capacity is due to come on-line over the next year, which could also dent prices. However, with stocks in registered warehouses declining, it is not clear that copper prices are poised for an immediate decline.

"There is more flux of opinion about the outlook for the industry, and about the direction of copper prices than there has been for an number of years," said Mr Thomas Van Leeuwen, metals analyst for CS First Boston in New York. Estimates for the average

price of copper next year range from \$1.20 to \$1.35 a pound.

During tha third quarter same quarter last year. Freeport-McMcRan Copper and Gold sold 258.2m lbs of copper and 338,700 oz of gold, and aaid recovery rates improved for both metals.

For the quarter, consolidated net income rose to \$60m, or 30 cants a share, on sales of \$470m, from \$13m, or 7 cents, on sales of \$313m in the third quarter of 1994.

Asarco produced 145,300 tons of copper in the third quarter and, with its combined interest in Southern Peru Copper, sold 169,500 tons.

Asarco reported third-quarter earnings of \$58.3m, or \$1.38 a share, on sales of \$819.7m, up from a loss of \$16m, or 39 cents, on sales of \$513m in the

cents, on sales of \$771m in the 1994 third quarter. During the quarter, Cyprus sold 178m lbs of copper, and molybdenum production increased to 17m lbs from 14m lbs last year. Arizona-based Phelps Dodge produced a record 182,300 tons of copper worldwide in the quarter, with income rising to

Cyprus Amax Minerals

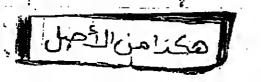
reported net income of \$135m.

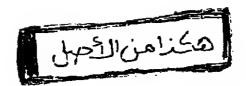
or \$1.41 a share, on sales of

\$786m, before a special write-down of coal assets. This was

up sharply from \$35m, or 33

\$211.8m. or \$3.03 a share, on sales of \$1.07bn. That compares with income of \$94.2m, or \$1.33, on sales of \$813.7m in the 1994 third quarter.





INTERNATIONAL COMPANIES AND FINANCE

amount of loans extended

Under this formula, the agri-cultural financial institutions

would have to write off about

Y350bn in loans. But the farm co-operatives are certain to

oppose the proposal. Thay

claim tha main hanks, as founders and big shareholders

of the housing loan companies,

solicited business for them and should bear sole responsibility

for the cost of their liquidation.

A special government committee is examining the argu-

ments and is due to report by

the year-end. It is widely expected to recommend the use of public funds to assist with the disposal of the housing

loan companies' problem assets. But the issue is further

complicated by the fact that the agricultural co-operatives do not wish to receive such

funds. They believe they will

result in a diminution of their

expansion of its semiconductor

Last year, NEC announced

it was investing Y80bn in a new semiconductor facility in

The bulk of the new invest-

ment will go towards increas-

ing capacity at NEC's facilities

in Japan, where it makes both memory and logic chips. At Kyushu, for example, the com-

pany will invest Y20bn to dou-

ble the production capacity for

logic chips, which perform the "thinking" functions of elec-

tronic equipment, such as

Amid strong demand for

semiconductors from computer

and other communications and

information equipment mak-

ers, NEC expects its semicon-

ductor sales to rise 26 per cent

activities.

in July.

calculations.

managerial independence.

· Banks agree on liquidation of Japan mortgage lender

1 Jan. 21 1995

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Seven leading Japanese commercial banks, the co-founders of Housing Loan Ser-vice Co, a troubled mortgage landar, have reached agree-ment on the liquidation of the company, bank officials said yesterday.

The banks will write off 80 per cent of their outstanding loans to the mortgage lender, which has more than Y900bn (\$9bn) in irrecoverable loans out of a total loan book of Y1,690bn

Y1,690bn.
Each of the seven banks —
Dai-Ichi Kangyo, Fuji, Mitsubiahi, Sumitomo, Sakura, Asahi
and Tokai — will write off
Y40bn of their Y50bn in loans. The remaining 20 per cent of their exposure - a total of Y70bn - will be used to capitalise a new company to take over the lender's Y700bn in

recoverable loans Japan's seven housing loan

intractable problem for the banking sector. They are all being liquidated by their parent financial institutions, which established them in the 1970s to provide residential loans. They expanded rapidly in the 1980s on a wave of real estate speculation. In the ensuing collapse most of their loans turned sour, and the companies are technically insolvent.

Between them, the lenders have an estimated Y8,400bn in non-performing loans - twothirds of their total loans. A resolution of the problem is hampered by sharp disagreements between the two main groups of creditors: the banks on the one hand and the financial institutions associated with the country's agricultural co-operatives on the other.
The liquidation of Housing

Loan Service typifies the problem. The banks plan to write off a combined Y350bn. However, they will ask the compa-ny's other creditors to shoulder the remaining loss of about Y550hn in proportion to the

Singapore Airlines registers 12% rise

ASIA-PACIFIC NEWS DIGEST

Singapore Airlines announced a 12 per cent rise in six-month group profit before tax to \$\$543.7m (US\$384.8m) and said it was cautiously optimistic about second-half prospects. The airline's traffic grew 9 per cent. However, the yield, or passenger revenues divided by distance travelled, dropped 4.4 per cent. It said the fall was mainly attributable to the strength of the Singapore dollar, which appreciated by 4.1 per cent against a basket of leading currencies.

The airline's passenger seat factor, or aircraft occupancy, rose 0.9 percentage point to 72.8 per cent in the six months to

September 30. Cargo load factor, however, fell 2.3 percentage points to 68.9 per cent, giving an overall load factor down 0.7 percentage point at 69.6 per cent.

Group revenues were up 3.8 per cent to \$\$3.37bn and group

operating profit rose 10.5 per cent to \$\$527.8m. The interim dividend is 7.5 cents, the same as last year.

The group's net cash grew 36.3 per cent to \$\$1.14m. The company said it expected passenger demand to increase in the second half, while cargo demand was expected to remain steady. It added, however, that excess capacity and stiffer competition, combined with the strength of the Singapore dollar, would continue to put pressure on passenger and cargo yields. Michael Skapinker, Aerospace Corresponden

Hino Motors warns on profits

Hino Motors, Japan's leading truck maker, more than doubled profits for the first half of the year, but warned that growth had since evaporated. The group, an 11 per cent owned affiliate of Toyota, Japan's largest car producer, attributed its first-half success to strong demand for diesel trucks – almost half its sales - at home and abroad. Cost cutting also played a

Recurring profits - before tax and extraordinary items rose 153.5 per cent to Y7.08bn (\$71m) in the six months to September, ou turnover up 1.4 per cent at Y306.57bn. However the group warned it could not sustain tha pace of profits growth in the second half. Domestic demand for trucks and parts has declined sharply, prompting Hino to reduce its own sales targets, according to analysts, Hino yesterday forecast full-year recurring profits of Y12.2bn, slightly up on Y12bn in the year to last March, on

sales down by 9 per cent from Y641.8bn to Y534bn. It will pay an unchanged interim dividend of Y3 a share.

Softbank buys telecoms stake

NEC's latest upward revision of its semiconductor spending plans follows an increase from Y150bn to Y180bn announced

Softbank, the Japanese distributor of computer software, yesterday announced its third acquisition of the past year. It has agreed to pay \$30m for a 30 per cent stake in Unitech Telecom, a California-based telecommunications company, whose activities in China will provide Softbank with a stepping stone into the country's computer software market.
As a result of the acquisition, Mr Masayoshi Son, the Japanese company's president, will become chairman of Unitech Telecom.

Separately, Softbank is in discussions to buy Ziff-Davis Publishing, the world's largest producer of computer magazines, for more than Y145hn (\$1.45hn). Mr Son, 39, is the best known of a young breed of technology

service industry entrepreneurs to have floated their companies on Japan's over the counter market in recent years, Since oining the OTC in July last year, Softbank has paid \$202m for Ziff-Davis's trade show division, and \$800m early this year for the computer trade show division of Interface, a US exhibition

Sharp increase for PosGold ...

PosGold, the gold mining arm of Mr Robert Champion de Crespigny's Normandy group, yesterday announced a first-quarter profit of A\$22.1m (US\$16.5m) after tax in the three months to end September. This compared with A\$8.86m in the

It said a "dramatic improvement" in the performance of the Big Bell and Bounty gold mines in Western Australia lay behind the increase, with the former emerging as a possible 200,000 oz a year operation. In the latest quarter, the mine produced just under 50,000 oz. PosGold's total equity production in the three months rose to 273,189 oz from 251,414 oz in the previous quarter and 228,456 oz in the same period a year ago. The company said it was on course to exceed the total equity gold production of 956,800 oz seen in 1994-95 in the current financial year. . Nikki Tail, Sydney

Petroz eyes BHP assets

Petroz, the Brisbane-based oil and gas explorer, said yesterday it was one of the companies looking at a possible purchase of oil and gas production assets owned by BHP, Australia's largest resources group, in the Timor Sea. The group told shareholders at its annual meeting that it believed BHP was keen to sell interests in the Jabiru and Challis fields, and that it was potentially interested.

Nikki Tui

NEC to raise semiconductor spending to a record Y210bn

By Michiyo Nakamoto in Tokyo

NEC, Japan's leading semi-conductor maker, will raise capital spending on semiconductors to a record Y210bn (\$2.1bn) in the current year to March, the company said.

The increase represents a 68 per cent rise on the previous year. It comes as most leading semiconductor makers increase spending to meet expected strong demand in the years ahead.

Japanese semiconductor makers have been investing aggressively in new capacity. Toshiba, Fujltsu, Hitachi, Mitsubishi Electric and Matsushita have all announced increased spending plans, much of which will be in overseas markets.

Elsewhere, Intel of the US and Siemens of Germany have both announced substantial investments in semiconductor facilities recently.

Intel, the world's largest semiconductor manufacturer. England as part of a broad

Mining Correspondent

JCl. the Sonth African gold

and base metal mining group

unbundled from parent Anglo

American Corporation last

year, reported net profit from its three gold mines was R82.3m (\$22.6m) for the quarter

ending September 30, more

than 50 per cent above the

R54.6m posted for the June

1

announced last week that It

planned to spend more than \$3.1bn over the next two years to expand production in Ireland, Israel and Malaysia to

keep pace with rising demand. Siemens, the German electronics group, is to build a £1.13bn (\$1.79bn) semiconductor manufacturing plant and research centre in north-east

Solid gains at JCI in quarter

R47,523 and R48,024 a kilogram. Anglo American Corporation's gold and uranium division reported a 53.6 per cent increase in available profit to R134.1m for the quarter to September 30, against R37.3m the previous quarter. Gold produc-tion increased by 7.7 per cent from 53,487kg to \$7,613kg and average gold revenue per kilo-

Gold output advanced from 10,327kg to 11,454kg. Costs fell from R41,825 per kilogram pro-duced to R38,853, and revenue per kilogram fell from R45,680 to R45,299. JCI said the mines had sold forward 12.6 tonnes of gold for the year to June 30

R242.8m. Randgold's oew manage-

ment marked its first year in ing of its interests.

gram was virtually unchanged at R45,51S, compared with Total gold working costs rose 5.2 per cent from R2,102.9m to R2,211.2m, while unit working costs were 2.4 per cent lower at R38,382 per kilogram produced. Capital expenditure in the quarter was 10.1 per cent lower

office by reporting substantial performance improvements at the group mines and rapid progress in the strategic restructuring and reposition. Net profit improved from

\$1.3m to \$6.3m, but Randgold said comparisons with 1994 were meaningless because 1995 included First Wesgold's results and reflected reduced management fees from the mines. Results from the Randgold mines showed after-tax profits at \$10.7m, almost double the \$5.5m for the June

This announcement appears as a matter of record only.

DUPONT SUZHOU POLYESTER CO. LTD.

.U.S. \$80,766,000

Long-term limited recourse project financing for 66,000 ton per annum polyester plant in Suzhou, China

DuPont China (Holding) Co., Ltd. Suzhou Chemical Fiber Plant

Mitsubishi Corporation Chemtex International, Inc.

Arranged by

International Finance Corporation

U.S. \$76,920,000 Long Term Loan

Provided by

International Finance Corporation and through participations

The Dai-ichi Kangyo Bank, Limited

NatWest Markets

International Nederlanden Bank N.V. The Mitsubishi Bank, Limited Tokyo Branch

The Norinchukin Bank

Société Générale

The Fuji Bank, Limited The Mitsubishi Trust and Banking Corporation Standard Chartered Bank The Sanwa Bank, Limited

The Sumitomo Bank, Limited

Swiss Bank Corporation

The Tokai Bank, Limited Hong Kong Branch

The Bank of Tokyo, Limited

Asian Finance and Investment Corporation Ltd

U.S. \$3,846,000 Equity Investment

Provided by

International Finance Corporation

October 1995

This announcement appears as a matter of record only.

MORNING STAR CEMENT LIMITED Viet Nam

A joint venture between

"Holderbank" Financière Glaris Ltd. Hà Tiên I Cement Company

U.S.\$96,600,000

Long Term Loan

Financing for a 1.8 million tpa cement plant and cement terminal in Viet Nam

International Finance Corporation

Provided by

in the IFC loan by

International Finance Corporation and through participations

Long Term Credit Bank of Japan, Limited Credit Suisse, Singapore Branch

ANZ Singapore Limited Standard Chartered Bank Banque Nationale de Paris Commerzbank International S.A. ING Bank Banque Worms

Escrow Agent Credit Suisse. Singapore Branch

Security Agent Australia and New Zealand Banking Group Limited

October 1995

The Financial Times plans to Publish a Survey on

on Tuesday, November 20

The survey will cover the Norwegian economy, banking, manufacturing industry, telecommunications, shipping, tourism, and power. For advertisement details please call:

Erna Pio,
Tel: +45 3313 4441 Fax: +45 3393 5335
Tel: +47 2241 0707 Fax: +47 2233 0505 **FT Surveys**

Chemical Banking Corporation U.S. \$100,000,000 Notes due 1997
In secondance with the provisions of
the Notes, notice is bereity given that
the Notes will carry an ordered rate of
18759 per annum int the period
the Charlet, 1995 in 26th January,
1996 with a compon amount of
U.S. \$138.13 for the U.S. \$10,000
denormanium and U.S. \$3,95.13 int
the U.S. \$250,000 denomination and
will be people on 36th January, 1996
against surproduct of Compon No. 42.
Benderer Traces

EMPRESA DISTRIBUIDORA LA PLATA S.A. U.S.\$30,000,000 Floating Rate Notes due 1997

Notice is hereby given that the Rate of Interest for the Interest Period October 25, 1995 to April 25, 1996 has been fixed at 10.06% and that the Interest payable on the relevant Interest Payment Date April 25, 1996, against Coupon No. 3 will be U.S.\$511.38 in respect of U.S.\$10,000 naminal of the Notes.

October 25, 1995, London
By: Citibank, N.A. (Issuer Services) Agent Bank CITIBANG

THE BANK OF NEW YORK is pleased to announce its appointment as TRUSTEE JSC Oil Company LUKoil Mandatorily Convertible Bonds due 1996 THE RESIDENCE OF THE PARTY OF T For information please contact John Yancey (70-95) 915-4596 in Moscow, or Christopher Kearns (0171) 322-6322 in London.

NOTICE OF EARLY REDEMPTION First Bank System, Inc. US\$150,000,000 Floating Rate Subordinated Capital Notes Due 1996

NOTICE IS HEREBY GIVEN that, pursuant to paragraph 12(b) of the Notes, First Bank System, Inc. will redeem all of the Notes at par (the "Redemption Price") on November 30, 1995 (the "Redemption Date"). Payment of the Redemption Price in respect of the Notes will be made against presentation and surrender, on or after the Redemption Date, of Notes together with all numatured Coupons appertaining thereto at the specific office of any of the Paying Agents listed below. Accrued interest due on the Redemption Date will be paid in the usual maturer.

Interest shall cease to accrue on the Notes on and after the Redemption Date and unmatured Compone relating to the Notes shall become void on Morgan Guaranty Trust Company

Morgan Guaranty Trust Company of New York London EC4Y 0JP England

14 Place Vendôm Paris 75001 France Morgan Guaranty Trust Company of New York Krediethank S.A. Lamembourgeoise 43 Boulevard Royal

60313 Frankfurt Morgan Guaranty Trust Company of New York

Avenue des Arts 35

Dated: October 25, 1995

of New York

FIRST BANK SYSTEM, INC.

U.S. \$100,000,000 **(X)** HSBC AMERICAS, INC.

Floating Rate Subordinate Capital Notes due 1999 For the three months 25th Ocsober, 1995 to 25th January. 1996 the Notes will carry an loscrest Rate of 6% per cent. per antism with a Coupon autour of U.S. \$18,13 per U.S. \$10,000, insenses payment date 25th January, 1996.

Disposal programme completed with £54.6m management buy-out

Dalgety sells Golden Wonder

Golden Wonder bagged snecks maker of Golden Wonder crisps and Wotsits - is being sold by Dalgety to its management, backed by Legal & General Ventures, the venture capital company, for £54.6m cash.

The sale completes the disposal programme Dalgety launched in February wheo it ecquired Quaker European Pet Food for £442m. It leaves the formerly diversified food group more sharply focused on agribusiness, pet foods and food

Although the selling price was lower than the market bad originally boped, Dalgety's shares gained 5p to 422p. The sale follows Dalgety's

The Scholl board comfortably

won a proxy battle yesterday

with rebel sbarebolders wbo

bad tried to replace three non-

But the rebels said the out-

come was a bollow victory for

the bealthcare products group.

This business is clearly up for

sale," said Mr Julian Treger of

Active Value Advisors, which

bas been leading the rebels.

"The onus is now on us to

develop offers, and we will be

doing that over the next couple

above Company's assets.

engineering and general labrication activities.

and 10 conversions of freight trains).

Fax.: 32 20 677/32 39 653, attention Mrs. D. Gat).

the Greek language version will be the official one.

out in the Call For Tenders for the sale of the above Company.

218,000 sgm is covered by the main shipyard facilities.

=INVESTMENT BANK=

By David Blackwell

executive directors.

disposal of the Golden Wonder instant hot snacks business. maker of Pot Noodle, to CPC International for £180m, and Homepride Cooking Sauces to Campbell Soup for £58.6m.

While Dalgety aimed to raise £300m from the sales, Mr Richard Clothier, chief executive, said yesterday the actual proceeds of £293.2m were in line with its expectations, given that it had decided to retain the cake mixes business. Most outside analysts valued that business at ebout £10m.

"I am particularly pleased that the management team is buying [Golden Wonder]," Mr Clothier said, calling this the "hest outcome for employees, customers and suppliers.

The City gave the deal a cau-

Active Value Advisors and

JO Hambro & Partnere between them bold a 15 per

cent stake in Scholl. They have

been arguing for the last cou-ple of months that Scholl

would be worth far more to

sharebolders if it were to put

Mrs Judy Stammers, Scholl finance director, said: "If the

rebels produce a bona fide

directors proposed by the reb-

els, including Mr Treger.

received 41.9 per cent of the

vote. A separate resolution pro-

CALL FOR EXPRESSION OF INTEREST

IN PURCHASING THE ASSETS OF

"ELEFSIS SHIPYARDS SA"

INVESTMENT BANK SA in its capacity as Liquidator of "ELEFSIS SHIPYARDS

SA" (the "COMPANY"), which is presently under special liquidation according to

the provisions of Article 46a of Law 1892/1990 (as supplemented by Article 14 of

L. 2000/1991), by virtue of decision 9469/19.09.95 of the Athens Court of Appeal

INVITES interested parties to submit, within twenty (20) days from the publication

of this Call, non-binding written expressions of Interest for the purchase of all the

BRIEF INFORMATION

A. The COMPANY was established in 1962 and began operating in 1969. It is a multi-

B. The COMPANY is situated at Elefsis occupying an area of 690,000 sgm of which

service facility capable of providing a wide selection of shipbuilding, ship repairs

maintenance and conversion services as well as spectrum of diversified

The Shipyard Is equipped with three (3) floating docks where vessels up to 110,000

DWT can be accommodated, a shipbuilding berth (55m x 190m) for vessels up to

100,000 DWT, the largest gentry crane in Greece of 400 T lifting capacity, 2 tug-

boats; modern machinery for the shaping of plates (including plasma cutting

equipment) and welding system (MR 6100 HITACHI ROBOT). Machine, Plate and Pipe Shops are also equipped with a large number of mobile machinery and tools.

The COMPANY is currently working on orders for four (4) landing craft for the

Hellenic Navy, the first of which is almost under completion and is also manufecturing railway stock for the Greek Railway Organization (58 freight trains

OFFERING MEMORANDUM / FURTHER INFORMATION

For the submission of Expressions of Interest and for obtaining a copy of the

Information Memorandum all interested parties may contact the Liquidator

"INVESTMENT BANK SA" (81 Aiolou Str., 105 51 Athens - Greece, Tel.: 32 46 558 -

A Public Auction will take place following the publication of the above Cell in

accordance with the provisions of Article 46a par 4 of L. 1892/1990 and the terms set

The present will be published in the Greek and foreign press. However, in any case,

The three non-executive

approach, we will respond."

itself up for sale.

Scholl sees off dissidents

tious welcome. "Dalgety has done what it said it would do," said one analyst, "although the hope was that it would beat its original target with some com-

Analysts originally expected the company could raise £80m or more, anticipating a bidding war led by KP, the snacks division of United Biscuits.

After internal problems at UB precluded a bid from KP, that left other interested parties including PepsiCo, owner of the UK's biggest crisp brand, Walkers, as well as Snack Factory, an own-label maker owned by Longulf, a UK vebicle of Middle Eastern investors, and Unichips, an Italian company. At one point, bids were

ing non-executive directors

was rejected by 59.5 per cent of

The extraordinary meeting

went ahead after talks on a

compromise failed late on Mon-

day. Over the weekend, the

the possibility of appointing a

mutually acceptable non-exec-

Mr Gordon Stevens, Scholl

chairman, said the board had

always been ready to look at

firm offers, adding that the

two-month battle had cost the

company about £500,000.

two sides had been looking at

the vote.

utive director.

rumnured to have fallen to about £40m. But it is understood PepsiCo and Snack Factory, which planned to divide the business between them to avoid problems from the competition authorities, were narrowly beaten by the management buy-out.

The new company's main shareholders are funds managed by Legal & General Ventures, with management led by Mr Clive Sharpe, a director of Golden Wonder, and previously chief executive of Homepride Foods.

Golden Wonder bagged snacks made pre-tax profits of £9.1m last year on turnover of £150.7m, with assets at the year end of £72.8m.

Zeneca sales 8% up at nine months

By Daniel Green

Volume growth helped sales from Zeneca Group, the pharmecenticals company, rise 8 per cent to £3.68bn for the nine months to September 30. Zeneca said tts core business of pharmacentical sales was up 6 per cent to £1.57bn and predicted the annual performance would show similer

growth. "Good volumes growth has been maintained, but pricing pressures remain in some European markets," said the

Sales in the agrochemicals division rose 13 per cent to £1.33bn, boosted by strong sales growth in North America. Europe and the Asia-Pacific region.

The growing season in Latin America had also got off to a good start, said Zeneca.

The company's third division, speciality chemicals, reported sales up 4 per cent to £786m after a strong performance from the effects division. Sales of the vegetablebased meat substitute Quorn doubled, with "high growth in the new Quorn burgers".

Difficult markets continued to hold back the textile colours operations. The figure excludes

Salick Healthcare, the chain of US cancer hospitals, pending completion of Salick's annual

Spanish drug deal for Medeva

Medeva, the pharmaceuticals company, has paid £12.4m for the exclusive Spanish marketing rights to seven prescription drugs from Glaxo Wellcome's portfolio, writee Motoko Rich.

The drugs, which include a dermatological steroid and antibiotics, generated £6m in sales in the year to June 30.

Glaxo Wellcome will con-tinue to supply the medicines. Forty three sales and marketing employees will transfer from its Britisfarma division to Evans Biológicos, Medeva's Spanish subsidiary, increasing its staff to 64. Glaxo Wellcome said its

Spanish business was rational-ising its portfolio after the Wallcome takeover. The seven drues represented less than 5 per cent of total turnover from its Spanish range last year. Dr Bill Bogie, Medeva's chief executive, said it hoped to obtain organic growth from

the drugs. The acquisition was important not only because of the products hat because of the staff. "Glaxo Wellcome's sales nf high quality," be said. "To try and get them starting from scratch would be very diffi-

cult." Dr Bogle said the drugs would be sold exclusively in Spain, and not be imported to the rest of Europe ooce a ban on Spanish exports was lifted at the end of this year.

HSBC US arm

HSBC Americas, the US retail banking subsidiary of HSBC Holdings, formerly known as Marine Midland Banks, reported a 33 per cent increase in post-tax income from \$57.7m to \$76.6m (£49.4m) for the third quarter to September

30 1995. Net interest income advanced from \$188.9m to

\$220.6m. The results this time include Concord Leasing, the equipment leasing unit merged into Marine Midland last January. For the nine months net income was \$210.9m (\$167.4m). | Fourth interest. "Second interior."

Govett case switches from **US** to Jersey

By Norma Cohen, Investments Correspondent

A legal battle between American Endeavor Fund, a venture capital investment trust, and Govett and Co, its former fund manager, will switch from the US to Jersey after a California Court agreed yesterday that it was not the best forum for the case.

The move is e blow for the fund, which wanted the case beard in California, where most of its witnesses live. Jersey-based American

Endeavor is seeking more than \$67m in damages from the Govett group. It alleges that Govett - which operates in Jersey and California - its affiliates and its chairman, Mr Arthur Trenger, were engaged in fraud, breach of fidnciary duty and unjust enrichment which led to significant losses for fund investors.

Govett has responded with a defamation suit for more than \$100m, claiming that the egreement in principle to acquire a US fund management business, Duff & Pbelps.

The Californian court, where both sides had filed suits, noted yesterday that the contracts at issue were eigned in Jersey and edded: "the California courts and juries are better suited for resolution of issues more closely related to California." It did not consider the merits of the allegations.

The clerk of the superior court said Govett had agreed to jurisdiction in Jersey. American Endeavour said vesterday that it has begun legal proceed-ings in Jersey which are "sub-stantially the same" as those it had brought in San Francisco. seeking damages of over \$67m. Shortly after the Duff &

Phelps deal was abandoned, Govett announced that it intended largely to withdraw from the fund management business. Its US and Jerseybased fund management business are for sale and it is understood to be in talks with adverse publicity derailed its four prospective buyers.

LEX COMMENT Dalgety

The British snack market looks decidedly stale. When Deigety food group Dalgety put its share price relative to the Golden Wonder crisps and FT-SE-A All-Share Index

savouries up for disposal in 110 February, the business was expected to fetch up to £100m. 105 Yesterday's sale to its management for £55m equates to just one-third of turnover and a price/earnings multiple in single figures. Only a year ago, Dalgety sold its smaller Dutch snacks business for 80 per cent of sales and 22 times earnings. The real loser from the deal, however, looks to be United

liked to buy Golden Wonder but could not afford to, given its troubles elsewhere. Its KP snacks unit risks being squeezed between a strong market leader in PepsiCo'e Walkers and a management buy-out team keen to revitalise Golden Wonder'e fading brand.

Biscuits. UB would dearly have some

Nonetheless, Dalgety has got off quite lightly. Golden Won-der's margins and market share are under pressure and even at this price the group has fulfilled its pledge to raise £300m through disposals. With the balance sheet restored to health, the management is free to concentrate on pet food, where the £465m acquisition of larger rival Quaker Oats has propelled it to the number two slot in Europe.

This year, the Quaker deal will dilute earnings by around 10 per cent. But if Dalgety can achieve the promised £40m of cost sevings from integration, it will transform a group with annual profits of roughly £140m. Given a prospective yield of ? per cent, the recent weakness in the shares looks overdone.

Wolseley gloomy Linread buy helps despite 21% rise lift McKechnie

By Patrick Harverson

The slump in the UK and US housing markets prompted Wolseley, the world's largest distributor of heating and plumbing equipment, to warn would struggle to achieve profits growth this year.

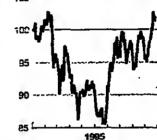
Although the group reported a 21 per ceot increase in pretax profits from £302.3m to a record £245.4m for the year to July 31, Mr Jeremy Lancaster. chairman, issued e particularly downbeat assessment of trading conditions.

He said: "Existing markets are likely to remain difficult for the foreseeable future and may even deteriorate. In these circumstances, It is going to be very difficult to better this year's performance or perhaps even match it."

The warning from Mr Lancaster, who is renowned for his conservative approach to forecasting profits, illustrated how testing conditions in the UK

have become. Wolseley is also suffering because of weakness in key foreign markets. In the US - half of 1996 and 1997.

Share price relative to the FT-SE-A Building Materials & Merchants Inde



Source: FT Extel

where half of the group's revenues are derived - growth in the housing market has stal-led, while in France business and consumer confidence has fallen since Mr Jacques Chirac was elected president in May and short-term interest rates were raised.

It was more upbeat about the longer-term prospects. Mr Lancaster said profits growth would resume when the UK economy and the housing market recovered in the second

By Tim Burt

McKechnie, the plastics and metal components group, yesterday increased its full year dividend for the first time in six years following a sharp

increase in profits. Strong contributions from new subsidiaries - mainly Linread, the fasteners business acquired for £26m last year helped lift pre-tax profits from £35.3m to £45.3m on increased sales of £532.6m (£420m) in the year to July 31.

That persuaded the group to raise the final dividend from 9.75p to 11p, making a total of

16.5p (14.75p). Shares in the group, how-ever, fell 13p to 44lp after it sounded a note of cantion on current trading.

"We have noticed a pause in demand in our start to the new financial year suggesting lower first half growth," said Mr Michael Ost, chief executive. He blamed destocking by

customers and hinted that balance sheet improvement.

the forward order book remained relatively strong and further capital investment was

planned to improve productiv-Such measures last year. helped lift operating profits to £48.2m (£37m), while earnings

rose from 27.1p to 33.8p. Of the increased profits half came from acquisitions, with Linread contributing £5.6m in its first full year as part of

McKechnie. Mr Ost said the improvement had also been fuelled by sharply increased operating profits in the plastic products

division, which imped from £4.14m to £13.7m. Specialist products - helped by price increases in New Zealand and Australia - contributed £19.6m (£12.9m), while the

consumer products division showed a modest increase to £14.8m (£14.4m). Strong cashflow and tough

working capital controls, meanwhile, helped eliminate growth was slowing in sectors thereby enabling McKechnieto such as automotive and home contemplate further bolt-on acquisitions, particularly in Nevertheless, Mr Ost said the US and continentalEurope.

Putting a foot in the loan door

Prudential targets deposit and mortgage markets, says Alison Smith

China today to visit the Pru's fledgling operations, he could be forgiven for thinking that he lives in interesting times. Yesterday's announcement

that Prudential, the UK's largest life insurer, plans to enter the retail deposit and residential mortgage markets by the end of next year surprised even a sector which is becoming used to shock waves. Though still some way off.

the decision by e company as large as the Pru to cross the boundary from life assurance into personal savings and home loans marks a new and highly significant phase in the re-shaping of the UK's personal financial services sector. "Banks, societies and life

companies are converging and we want to be players in that," Mr Davis says. What has taken competitors

aback is not Prudential's desire to be able to offer deposit accounts as well as longer-term savings - a move foreshadowed hy Scottish Widows, a mutnal insurer which launched deposit accounts in the spring - but its decision to enter the already crowded and .

RESULTS

s Mr Peter Davis, chief executive of Prudential Corporation, flies to wey of carrying the battle for wey of carrying the battle for personal customers to the high street banks and building societies, which have been broadening their services to include life assurance and invest-

> "We pay out more than fibn a year in mature policies, and many of our customers put them in bank and building society deposits," Mr Davis says. "This is an opportunity to recycle some of that money, and mortgages are e wey for us to use those deposits properly." But whereas banks and soci-

eties sell primarily through their branch networks, the Pru aims to sell over the telephone and through its 6.500-strong direct sales force. The company believes this low cost base should give it a competitive edge.

The move was yesterdey broadly welcomed as a sensible defensive measure, which also offers the opportunity for the Pru to expand into new mar-

In theory, the company should be able to use the initiative to sell the new savings policies and home loans to its existing 6m-plus customer

base, and to reach new types of customer over the telephone. The development should also reinforce the Pru's focus on its UK business, which is expected to grow as the process of

rationalisation in the life sector removes competitors. This the international emphasis which Mr Davis adopted when he became chief executive in the spring. In addttion, the mova

appears to widen the range of potential acquisitions that might make sense for the Pru. Last month it said it was interested in taking over smaller life companies. Yesterday's announcement, however, may increase the likelihood of it buying a building society.

in other respects, the advantages of the move are less clear-cnt. On costs, the Pru should have an initial advantage over mainstream lenders in the rates it can offer customers, because it will not be supporting a national branch network. But that advantage is shared by other financial organieetions which have recently entered the mortgage market such as Direct Line, the telephone-based insurer.

In addition, building a tele-

phone banking operation from scratch is no easy matter. Mr Mike Harris, former chief executive of First Direct, the telephone banking substdiary of Midland Bank, who will run the Pru's operation, is clear that the quality of service is particularly important in dealing with customers on the tele-

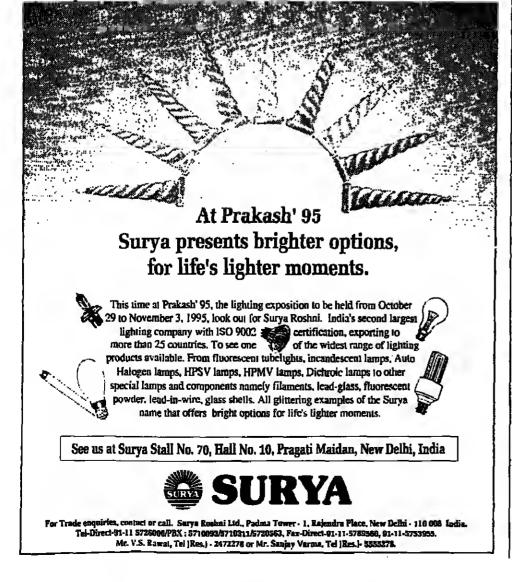
Observers believe that other life assurers are more likely to fallow tha Pru into savings than home loans, because the mortgage market is at present so competitive.

Though interest-rate margins have held up better than some analysts predicted, they are still under pressure. Many lenders are offering loss-leading deals to win new customers. And home owners are becoming aware that they may be able to get a better deal by ewitching their mortgages even if they are not moving.

Nor is home loans an area in which mainstream lenders expect to see much increase in business over the next few

This is a good deal," says Mr Andrew Pitt, an analyst at BZW, "but I wouldn't over-estimate the profits the Pru will make from it".

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on & St Lawrence Yr to Aug 31	187 74	(180.4.)	1.95	(2.62)	5.96	/0 OE \		Dec 1	1.25		
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JORDAN

A new stake in stability

While the country is enjoying renewed regional influence. peace is expected to bring economic growth, says David Gardner

11 IBER 25 1995

Attending the King To Take

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Jordan, and its resillent monarch King Hussein, bave in the past year re-emerged as important players in the Middle East for those, in and out-side the region, with a stake in the area's stability.

The country bas greatly strengthened its macroeconomy, after near collapse six years ago, and is gradually introducing structural reforms to win the investment it hopes the region will attract as peace takes shape.

Politically the most liberal country in the Arab world, King Hussein, moreover, is now offering Jordan's restoration of a guided democracy as a model that his more powerful Arab neighbours might fruitfully follow.

As King Hussein opens the Middle East and North Africa economic summit this Sunday in Amman - where about 1,700 businessmen and government officials will seek ways to open the regional economy to crossborder husiness and integration - he can reflect with some satisfaction on how far he and his country have travelled in

the past five years. in the Gulf crisis of 1990-91, the Jordanian king was reviled in western and Arab capitals for refusing to take up arms against Saddam Hussein for Iraq's seizure of Kuwait, instead Insisting on regional mediation.

Ranged against him were Egypt, Syria and Saudi Arabia, which all joined the US-led alliance which evicted Iraq and isolated it through ferocious UN sanctions. It looked for a while as though Jordan might share in this isolation, as well

as losing lraq as its most important market, But the British-educated

king, a traditional ally of the west if often mistrusted by his regional peers, bounced back fast.

negotiations - would treat with the Palestine Liberation Organisation.

the PLO reached a hilateral peace accord with Israel, secretly negotiated in Oslo, in Jordan signed its own peace from Syria that it was breaking Arab ranks.

Determined to keep his country at the centre of fast-moving developments in the region, the king this summer realigned Jordan firmly against the Saddam regime, bidding for a role as a regional powerbroker.

with the FT, King Hussein went further and condemned the Iraqi referendum - which endorsed Saddam as president by 99.96 per cent - as a "dangerous farce" which could accelerate the break-up of the country, triggering "a bloodbath" and regional crisis worse even than the Gulf crisis.

He called instead for new constitutional arrangements to be agreed by a "national reconciliation" assembly of "credible representatives of the three major components of Iraq's people" - Kurds, Shi'a Moslems and Sunni Moslems - and suggested that "a federated Iran might be the answer".

Such ideas are meeting resistance from neighbours such as Egypt and Syria, not least because of the evidence they furnish of the king's less than welcome inclination to provide a regional lead.

Jordan took under its umbrella a Palestinian delega-tion to the Middle East peace talks started in Madrid in November 1991, at a time when neither Israel nor the US - cosponsor with Russia of the

He moved equally fast after November 1993. Within a year, with Israel, ignoring protests

Mobammed and the family This month, in an interview that launched the Arab Revolt against the Ottoman empire. spent the first half of his 43years reign under siege from Arab nationalist rivals in the

region such as the late President Nasser of Egypt or the Ba'ath parties in Syria and More confident of his legitimacy than they, he has bad less resort to the obfuscations of pan-Arabist rhetoric, and now speaks more plainly than

> His popularity among Jordanians appears genuine. although it is aclidly buttressed by an army drawn from the Bedouin tribes in a country where the majority is of Palestinian origin. He was probably more in tune with national and Arah opinion while formally opposed to Israel and seemingly allied to Iraq.

His deft repositioning of Jor-dan has built up credit in the The Hashemite king, west but bostility at home. He tives, who are failing to articu-



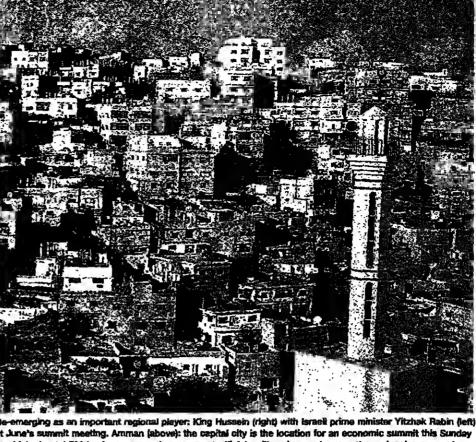
bas to calculate finely bow far be can move ahead of his peo-

Yet the diminutive king's political dominance bas dwarfed Jordan's institutions. more developed than the regional norm, but fragile. "There are no institutions,"

and "the spread of tribalism terribly dilutes democracy". complains one leading MP. "I am really thinking about after King Husseln - what will happen then?" he adds.

The November 1989 elections, the first to parliament since 1957 when the king and his army moved to crush Nasserist agitation and a subsequept series of attempts to overthrow him, returned Islamic fundamentalists as the largest, and only ideologically cohesive bloc.

For the last elections in 1993, voting rules were changed to halt the Islamist advance but at the cost of packing parlia-ment with tribal representa-



هكنامن الأحهل

at June's summit meeting. Amman (above): the capital city is the location for an economic summit this Sunday at which about 1,700 businessmen and government officials will seek ways to open the regional economy to cross-border business and integration

late a national vision, much less bind together ethnic Jordanians and Palestinians.

The king took a brave risk by co-opting the Islamic revivalists into the democratic process. Neighbours, such as Egypt for instance, rely almost exclusively on repression against fundamentalism - and

are struggling. He also insists he has "been the strongest advocate of democratic institutions in this country ... where the dependence on any individual becomes less, and democracy becomes the unifying force". He offers Jordan's experience "as an example that works", which should serve as a model

for the region. Yet one of the king's senior advisers acknowledges that there has been some trespassing" on the prerogatives of the government, the legislature and the judiciary, adding in justification that "you have to educate, to guide . . . in order to make the idea of democratisa-

tion viable".

Lurking underneath this mix of caution and confidence, of democratic ambition anchored to a tribal bedrock, is fear of the Palestinian question, in its internal as well as external manifestations. After September's PLO-Israeli agreement to expand Palestinian self-rule in the West Bank, Israel has suggested an Israeli-Palestinian-Jordanian "confederation", exciting PLO suspicion it wants Jordan to help stunt the growth of an independent Pal-

estine. The king is wary of treading into this minefield of mistrust - and probably of any dilution of his own authority - in view of the preponderance of Palestinians within Jordan whose eventual allegiance is in doubt. There is further concern, his advisers say, that the complex and imbalanced self-rule exercise will not work, and that Palestinian frustration could

spill over from the West Bank

of the 1970-71 civil war against

the PLO. Evidence of this concern is the way the peace process has rolled back democratic expression in Jordan, with the government, for example, banning an opposition conference in May against "normalisation" with Israel. The government is desperately seeking tangible dividends from peace, fearing it has raised people's hopes too

That search bas been a spur to economic reform. A successful, IMF-backed macroeconomic stabilisation has so far provided strong, non-inflationary growth of near 6 per cent of gross domestic product.

But while that part of the programme was essential to lift Jordan out of the deep economic crisis of 1989-90, when the dinar collapsed and the kingdom defaulted on its foreign debt, it is the prospect of peace and hope of regional integration which is fuelling into Jordan, raising the spectre vital structural reforms.

IN THIS SURVEY

• Economy: growth is expected to continue at about 5-6 per cent in 1995 and 1996 Banking: the country'a

for a period of mergers

Minerals: processing facilities are being expended The stock market: bureaucratic and political obstruction are hindering foreign investment . Page

strong grip of the monarchy over policy is vital to the Foreign policy: King Hussein increasingly see himself at the heart of an emerging, peaceful Middle

Politics: a relaxation of the

 Tourism: last November's Jordanian-laraeli peace agreement has boosted the sector considerably Regional Integration: Jordan is ready to exploit the economic opportunities arising from regional co-operation and trade

Profile: King Hussein

Editorial productions Sarah Murray

The reforms, hastened and packaged for presentation at the Amman summit, are incomplete, Businessmen and bankers say the bureaucracy is still unconvinced about foreign investment, and technocrats across the administration call for more extensive privatisa-

The education system, which still receives only half the revenue devoted to the army, is distorted by the need to cope with numbers at the bottom and the preference for academic education at the top. "The missing middle" of vocational training, as one government adviser calls lt, "is one of the biggest challenges Jordan will face in the future".

But it is on the future that the king has his eye, and for which he will be hidding at the Amman summit, anchored though he is in the treacherous cross-currents of the region. "I'm not working for today," be says. "I'm working for tomor-



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Banking: by Julian Ozanne

■ Economy: by David Gardner

Pushing for mergers Hopes are pinned on peace

A mixture of carrot and stick is to be used to encourage consolidation in the sector

After a banking crisis in 1989 and the subsequent liquidation of Petra Bank, Mohammed Nabulsi, governor of the Central Bank of Jordan, is determined to take stringent measures to strengthen the sector.

As the government continues to deepen economic reform and prepares for greater flows of investment the CBJ has decided it is time to nudge the banking sector towards consolidation with a mixture of stick and carrot.

The CBJ believes Jordan with about 20 local and foreign commercial and investment banks with 400 branches - is over-banked. It wants to encourage mergers among predominantly family-owoed banks by a mixture of incentives, penalties and compul-

The CBJ has instructed local commercial banks to increase their minimum capital requirement from JD5m to JD20m by the end of 1996. Only two banks meet the requirements -Arab Bank, which dominates the sector with a 24 per cent market share and Jordan Gulf Bank which recapitalised at JD20m last year after a merger with the Jordanian branches of

Al-Mashreq bank. Banks that merge will receive preferential CBJ treatment, including lower interest rates on CBJ loans and higher yields on deposits which the commercial banks are forced to place at the CBJ. "The strategy is to continue working for a more efficient, competitive and capital qualified banks." said Mr Nabulsi.

Branches of foreign banks bave been requested, but not forced, to increase their capital to JD10m. The CBJ has also introduced other measures to limit the extension of credit to single borrowers. Under the regulations, banks cannot lend more than 7 per cent of their capital and reserves to a single entity, although the CBJ can approve lending up to 25 per

limits will be subject to fines. These regulations are intended to underpin the CBJ's strategy of encouraging mergers but foreign banks are unhappy. "These regulations obviously restrict the ability to do business with the capital one bas," said one foreign banker. "So foreign banks bave to accept either their ability to grow is limited or they must increase their capital to further grow their business."

In addition, Mr Nabulsi is finalising a banking law which will include more effective banking supervision and tighter legislation which allows the CBJ to levy penal-

Some bankers argue the new regulations, together with other risk concentration measures, bave come too close together and could force banks to go to the capital market in a disorganised crusb, draining liquidity from the Amman Financial Market, But Mr Nabulsi says: "The large exposures of some banks to private sector clients is not in conformity with prudent banking policy. When we saw the problem we decided we had to fix it immediately.

The CBJ dismisses fears of a rush by banks to the capital market and believes many banks that refuse to merge will be able to meet the requirements by a capitalisation of reserves. It also rejects fears that JD300m could be drained from the market and says the maximum amount involved is JD150m. The CBJ points to the example of Housing Bank, Jordan's second largest, which plans to raise its capital from JD12m to JD25 by December by a JD6m capitalisation of reserves and a new share issue. in any case the CBJ promises

to be Nexible. While some bankers complain about CBJ policies, there is recognition of the oeed for further concentration in the sector which remains profit-

Profits, nevertheless, bave been squeezed with rising interest rates. Lending rates are 11-12 per cent and deposit rates about 9 per cent reflecting fierce competition ceot. Any bank exceeding the for new liquidity. The Central in a post-peace era.

Bank has continued to keep tight monetary policy limiting credit expansion to about 10 per cent this year in line with the expansion of deposits. Indirect measures, primarily Certificates of Deposit, bave replaced direct credit ceilings. Mr Nabulsi says the lack of liquidity in the banking sector, with overnight interbank rates currently at about 9 per cent, is proof of policy success.

The credit squeeze has little to do with inflation and a loi to do with maintaining the strength of the Jordanian dinar and the attractiveness of JD denominated deposits over US dollar denominated alternatives. "We shall remain committed to the interest rate policy which will favour the value of the Jordanian dinar and make it worthwhile for the Jordanian holder of foreign exchange to convert into dinars," said Mr Nabulsi.

Mr Nabulsi says high interest rates have not deterred investment and maintenance of a strong and stable Jordanian dinar since 1991 has prevented capital flight and led to a repatriation of some of the estimated \$5-6bn Jordanian capital held abroad, It has also allowed the CBJ to take further steps towards liberalising the foreign exchange regime. Forty per cent of bank deposits in Jordan are in foreign currency. New measures allow banks to use up 10 50 per cent of their foreign currency deposits either through loans for productive projects in lourism. industry or export-oriented concerns or by investing in foreign capital markets in the US, Germany, Japan, the UK and Switzerland in certain government and corporate paper.

in addition, a new foreign exchange control law will formalise the elimination of restrictions on transfers. Restrictions remain for the time being oo capital transfers.

Taken together, the reforms under way in the banking sector mark the growing confidence of the CBJ in the success and stability of its monetary policy and the need to strengthen the banking sector as Jordau expects to capitalise on new trade and investment Structural reforms

are being put in place that are intended to draw in investment

Past the halfway mark of a successful macroeconomic stabilisation programme backed by the International Monetary Fund and World Bank, Jordan is betting that the Middle East peace process will bring stability to the region. It is putting in place structural reforms intended to ensure the kingdom gets a good share of the investment it expects peace to

It has been bard for Jordan's economy to climb out of the pit it fell into at the end of the 1980s. It had benefited as a largely rent economy from the sudden Arab oil wealth of the 1970s, and kept affoat by feeding the undemanding Iraqi economy through most of the 1980-88 Iraq-Iran war. World Bank figures show average annual growth in gross domes tic product of 11.1 per cent in 1973-79, of 9.9 per cent in 1980-85, but negative yearly growth of 1,2 per cent in 1985-89, as the oil price collapse depressed regional economies and in particular the flow of aid and remittances from Jordanians working in the Gulf dried up.

In 1989-90 the dinar collapsed, Jordan experienced a banking crisis and defaulted on its foreign debt, at over \$8bn. then more than twice its GDP. The only growth we had in the 1930s was the growth of our external debt," says Mohammed Said Nabulsi, governor of the Central Bank.

Enter the IMF - twice in fact since Jordan's misery was prolonged by the Gulf crisis. which shut off its biggest trading partner, Iraq, and isolated the kingdom because it refused to back the western-Arab alliance to reverse militarily the Iraqi invasion of Kuwait,

The stabilisation programme was relaunched for 1992-97 with a three-year extended IMF facility and sectoral funding from the World Bank, It has met most of its targets, and so far delivered sustainable, noninflationary growth.

In 1992, fuelled by the one-off considerable tourism potential. stimulus of savings invested by about 300,000 "returnees" -Jordanians and Palestinians expelled from the Gulf after Kuwait's liberation - the econ-

omy grew 11.3 per cent. Jordan has used the large rent component of its economy productively. Public and private investment between 1974 and 1983 closely tracked and sometimes exceeded flows of aid and remittances then equivalent to between half and two-thirds of national output. The economy thus developed

a small but solid manufacturing base, with largish statedominated companies in phosphates, potash, cement and refined oil products, and smaller private companies producing pharmacenticals, chemicals, textiles and footwear and processed foods. It also now has a more consolidated banking sector as well as or 20 per cent in Brazil. This is

From 1993, growth has steadied at close to 6 per cent, the target for this year. But high real interest rates of 4 to 5 per cent have held the dinar and along with cheaper import prices as a result of a halving of the weighted average tariff

from 34 to 17 per cent in the

past two years - have belped

reduce inflation from 16 per

cent in 1990 to about 4 per cent

now. The budget deficit has

been similarly cut from 18 per

cent in 1991. According to Basil

Jardaneh, the finance minister, it now stands at 45 per cent of GDP, or less than 1 per cent if grants are included. Overall investment levels as proportion of GDP remain high, averaging more than 30 per cent in Jordan in 1992 and 1993, against, say, 22 per cent in Turkey, 19 per cent in

Egypt. 27 per cent in Indonesia.

belped by a Central Bank regime granting industrial investors up to a one and a half percentage points reduction on interest rates. Exported goods this year

have increased at a rate of 25 per cent, with tourism receipts up by about 40 per cent, but imports rising at only 11 per cent, the finance ministry says. But Jordan's import bill remains high in relation to its export base. The current account deficit has fallen from 18 per cent in 1991 to about 7 per cent last year, but it will be difficult to reduce it further. "I'm not sure that our work in reducing the current account deficit will be as successful as it has been," says Mr Nabulsi

at the Central Bank. That and, above all, the continuing foreign debt overhang. are among the darkest shadows over the economy's future, even though the IMF is helping

foreign investment directly in

Reduction of the corporate

income tax from 40 to 25 per

cent with the exception of

banks, financial, insurance

and brokerage firms which

instead of 40 per cent. Tax on

companies in priority sectors

will now pay 35 per cent

such as mining, industry,

botels and hospitals will be

levied at a special low rate of

Exemptions from customs

duties on imported capital

equipment and spare parts.

taxes ranging from 25-75 per

cent for investments in lesser

developed regions of Jordan

Extra exemptions for botel

Exemptions from income

projects or on the stock

market.

15 per cent.

Jordan build up reserves. Debt write-offs in the wake of the 1994 peace treaty with Israel primarily by the US and the UK, have helped reduce disbursed foreign debt from \$8.4bm in 1991 to \$5.9bm, according to Mr Jardaneh. That pulls It about equal with GDP, but

still at a level which impairs Jordan's creditworthiness. "There hasn't been enough appreciation and support for debt relief in Europe," insists the finance minister. To improve the business climate in Jordan we have to deal with the debt overhang."

There are other uncertainties and problems. Unemployment has fallen from 25 per cent in 1990 to about 14 per cent, but is still unacceptably high, with perhaps a quarter of Jordanians below the poverty line. and the population growing at

3.4 per cent a year. Vocational training is weak. Resistance to doing business with Israel is high, and the extent to which infrastructure linking the two economies and the Palestinian territories will materialise is unclear. No one knows when the UN sanctions hit Iraqi economy will re-open. And at this transitional phase policy-makers and husiness. men seem unsure whether Jordan's limited range of goods should be aimed at the global or Arab market

But after a slow start, Jordan has forged ahead with measures within its own reach. especially structural reforms. including:

 a new investment law largely equalising foreign and domestic investors;

 currency convertibility; tariff cuts: and, crucially, tax reform. Jordan has raised government revenue 10 per cent. through a new sales tax (with exemptions for basic commodi-

ties), and by switching from tax bolidays for investments selected by the bureaucracy to sharp corporate tax cuts available to all. Tax holidays are still offered to develop the south and in free zones, but, as a senior technocrat puts it, the new philosophy is that "it's not for governments to decide whether investments are via-

FOCUS

New tax and investment laws

The environment shifts

Jordan recently passed sweeping new tax and investment laws aimed at attracting foreign investment by lifting restrictions on foreign ownership and cutting bureancracy. The laws mark a shift in the macro-economic environment which has traditionally been bostile to foreign investment and ownership.

Asem al-Hindawi, director general of the Investment Promotion Department. says the package ensures foreign investors and Jordanians receive equal treatment. However, bostility to

foreign ownership lingers in

burancractic and political circles from oid-school Arab nationalists and from Islamists, the main parliamentary opposition. Furthermore, foreign investment is likely to be impeded by the continuing stranglebold of the inefficient

and corrupt bureaucracy.

Nevertheless the new measures mark a serious step towards a more open economy. Reforms include: The creation of an

independent Investment **Promotion Corporation with** a "one-stop" investment window to license investment and obtain permits from other government authorities. The minister of trade and industry is empowered to license the project if government bodies have not responded to applications within 30 days.

of disputes. Free repatriation of foreign capital, profits or money gained from the sale or liquidation of a project or stock without delay in convertible currency. Foreign investors also have the right to manage projects with their

International arbitration

own personnel.

Abolition of government committee approval of

ontside of the industrial zones in Amman and Zirqa.

and bospital projects.

Julian Ozanne

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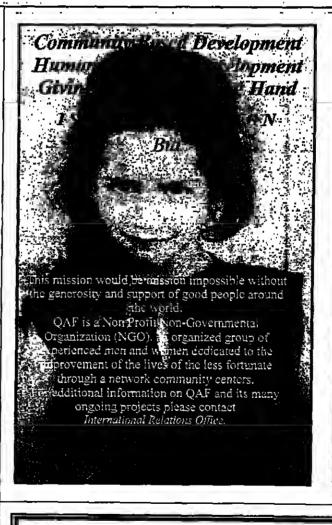
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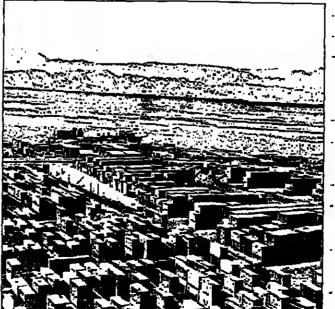
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Minerals: by David Gardner

eals and diversification

Inward investment and joint ventures are helping the kingdom exploit its natural resources

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Jordan, blessed with few natural assets in an oil-rich region, bas devised a clever strategy for making the most of the few resources it does have - phosphates and potash. The kingdom now bas a policy for getting more added value from its minerals, and for drawing in the investment needed to do this, while, at the same time, securing markets for raw, intermediate and finished products well into the

next century. Some evidence of this will be on show at this weekend's Middle East and North Africa economic summit in Amman, bringing together about 1,700

ers from within and nutside the region.

Tha Jordanian minerals sector expects then to announce or present up to five joint ven-tures in intermediate and finished fertllisers worth about

The sector already accounts for about a third of Jordan's \$1.2bn annual exports, and, as these projects come on stream, should help sustain an export growth rate running this year at close to 25 per cent.

The two forces in the sector are the Jordan Phosphate Mines Company (JPMC) and the Arah Potash Company (APC) - listed, pan-Arab companies majority-owned hy tha Jordanian state. Both are big domestically and sizeable internationally. In phosphates, Jordan is the world's second largest exporter (after Morocco) and fifth producer; in potash, it is fifth as an exporter (Capada is the largest) and sixth as a world producer.

Faced with the structural decline in demand for raw phosphatea that hecame clearly visible at the end of the 1980s, in tandem with cyclical and one-off pressures that depressed the fertiliser market. JPMC accelerated its march downstream while APC too

sought to diversify. The cyclical pressures included variable farm prices in key markets and fluctuations in the availability of foreign exchange to importers. The collapse of the Soviet Union and economic reform in big Far Rastern markets such as India and China also hit Jordan hard. Russla started dumping its own phosphates output to generata hard currency, and cut off import subsidies to its sistar republics and former

eastern European clients,

subsidies were reduced dramat-

JPMC currently has installed capacity to produce 7m tonnes of rock phosphate, expected to rise to 10m tonnes by 2000. Actual production, however settled at about 4.2m tonnes about 85 per cent for export in 1993-94, down from a high of 6.9m tonnes in 1989.

the south - which has more than doubled Jordan's mineahic phosphate reserves to 2bn tonnes - will, by the end of the century, replace output from the Al-Hassa and Al-Ahlad The company in 1982 established its own fertiliser com-

The giant Eshidiya deposit in

plex in Jordan's Red Sea port of Aqaba, 120km south of Eshidiya, with capacity to produce annually 430,000 tonnes of phosphoric acid. 800,000 tonnes

(DAP), and 20,000 tonnes of aluminjum fluoride. Eshidiya has high-quality ore, hut the strategy is to ensure that 40 per cent of its output will be for downstream products by 2005. according to Sameh Madani, JPMC managing director. "We have to diversify." he says. because "rock exports alone would make us vulnerable.

The recipe, therefore, is joint ventures, technology transfer, inward investment and secured markets, because "we can't do lt alone", Mr Madani says. Suleiman Hawari, managing director of APC, concurs: "We want to make the markets for our products permanent and we want to get hald of the technology and know-how

Pntash is theoretically less vulnerable because, as Nasser al-Sadoun, his deputy and APC plants manager, points out, "unlike phosphates It's a final product, which is bulk-blended. rather than chemically blended". But APC too is after higher added value, diversity, and long-term purchase agreements. Both companies have already made considerable

headway through joint ventures that include: Nippon-Jordan Fartiliser Company: an \$85m compound fertlliser venture hetween JPMC, APC and Zen-Noh (Japan's agricultural associa-

tlon), Mitsubishi Chemicals, Asahi Industries and Mitsubishi Corporation. It is due to start up in 1997 at a free zone site adjoining JPMC's Aqaba plant - giving the venture a

> The sector accounts for about a third of Jordan's annual exports

12-year tax holiday - and produce an annual 300,000 tonnes of mixed fertiliser, with Jordanlan phosphates and potasb and the nitrogen component from nearby Saudi Arabia. The entire output is tied up in a long-term export agreement with tha Japanese consortium. • Indo-Jordan Chemicals

Company: a \$175m phosphoric acid plant created by JPMC, Southern Petrochemical Indus tries of India, and the Saudibased Arah Investment Company (where there are also plans for a \$60m expansion). It is also due to start in 1997 and has free-zone status, hased alongside Eshidiya mine. Its annual capacity target ia 225,000 tonnes, with an 11-year nurchasing agreement. The FFC-Jordan Fertiliser

Company, which JPMC and Fauji Fertiliser Company of Pakistan agreed to set up in 1994, with a \$370m plant at Port Bin Qasim, Karachi, It will manufacture 450,000 tonnes of DAP and 550,000 tonnes of urea a year. In addition, a \$170m facility in Jordan will produce 200,000 tonnes of phosphoric acid for a 13-year purchasing agreement with the Pakistani end of the operation. The combined project is due to

 A still unspecified fertiliser venture between JPMC and a Norwegian company believed to be Norsk Hydro, said, by the Jordanian energy ministry, to • The first Jordan-Israel joint venture, between APC and Israel's Dead Sea Bromine Cnmpany, tn produce 25,000 tnonea of hrnmine (mainly used as a fire retardant) at a \$50m, Jordanian-managed facility on Jordan's side of the Red Sea. A memorandum of under atanding on this historic "peace project" was signed this month, and ultimately the ven-

JORDAN 3

require investment of \$350m.

Beyond this. APC is looking to expand its potash output. Its existing \$480m Dead Sea facilities have added a \$130m expansion, raising output to 1.8m tonnes a year, and a second \$160m expansion is under way. to increase output to 2.2m tonnes by 1998.

ture may require another

As a natural nutrient for food and snil that is so far immune to the environmental backlash against nitrates, potasb has a bright future. Consumption is expanding at a steady rate of 4 per cent a year. As Mr Hawari puts it, "fertiliser consumption will go up for as long as populations grow".

Stock market: by Julian Ozanne

Bureaucracy blights trading

Despite reforms. political obstacles still stand in the wav of new foreign investment

Jordan's stockbrokers look rather enviously at Lebanon where the bourse, closed for 12 years because of the civil war, is to begin operating before the end of the year. It will enjoy a fully computerised trading system liberal foreign investment procedures and a market capltalisation that will top

Amman's \$5bn. In the days of increasingly fierce competition for capital flows into emerging markets, there are fears that Jordan's stock exchange, once the envy of its regional competitors, could miss out on an investment wave into the Middle East in the wake of the unfold-

ing peace process. The market's hoom of 1991-1993, which saw the allshare index climb 100 per cent in three years, has receded and been replaced with a prolonged slump. A revival is now dependent primarily on foreign investment.

There are plenty of reasons to stimulate foreign interest. A macro-economic stabilisation programme has delivered sustainahla growth of about 6 per cent a year and price stability. Peace with Israel has opened up new trade, tourism and investment opportunities. Recent laws have improved the investment climate and low stock prices, with an average price/earnings ratio of 16.5, make the market attractive. But many of the US and

European funds and international investment houses such as Barings, Foreign and Colonial and Lehman Brothers that flocked to Jordan during 1993 bave had their interest beaten down. Bureaucratic and political obstruction have impeded easy investment.

Unless the government deepens its commitment to economic liberalisation, privatisation and foreign investment, and matches the more liberal conditions given to foreign investors in competing markets such as Egypt, Morocco and Lebanon, Jordan will con-

"Historically, the issue of foreign investment has not been dealt with well and there is still an amhiguity in some government departments as to whether foreigners are welcome," says Angus Blair, head of Mediterranean and Middle East research at Barings Securities, "Jordan has begun to make the right moves but is being left behind by other markets in the region."

The need for foreign invest-

ment on the market is particularly acute as the domestic equity investment hoom appears to bave run out of steam. Activity soared on the Amman Financial Market (AFM) in 1992 and 1993. Turnover rose from JD302m in 1991 to JD887m in 1992 and JD969m in 1993, and the AFM general index rose from 100 in January 1992 to 158.5 in January 1994. Much of the boom was the result of delayed reaction to the devaluation of the Jordanian dinar in 1989 and a massive influx of savings from Jordanian expatriates working in the Culf who were forced home after the Gulf War.

The market began to correct itself in July 1993 when the Central Bank of Jordan curbed commercial bank lending for stock purchases and the index fell from a peak of about 180. The index closed at 158.3 points at the end of 1993 and fell 9.4 per cent to 143.6 at the end of 1994, Annual turnover in 1994

Prices have rebounded about 11-12 per cent in 1995, with the index currently bovering around the 160 mark. Daily turnover has increased to ,D],4m from 1994 average of JD800.000, hut is still well below the levels of 1992-1993.

fell to JD495m.

Tight monetary policy and depressed market sentiment have kept prices low. Any liquidity available in the past two years has been sucked into the primaries issues market. More than JD890m has been raised in the primary market since the beginning of 1993 in a mixture of Initial Public Offerings and capital increases of exiting companies. Many of the issues have been heavily oversubscribed several times. Local investors are unlikely to return in force to the market

until monetary policy is eased, on the AFM. The government Many Jordanians are also waiting for lifting of the United Nations sanctions against Iraq. which, before the Gulf War, accounted for 25 per cent of

Jordan's exports. Fears are

also widespread, although

prohably unfounded, of a

devaluation of the Jordanian

Amman brokers eavy the liberalism of other Arab markets

future growth. So far, there appears to be no shortage of overseas interest. According to Mohamed Tash, general manager of National Securities,

between 1993-1995 56 foreign

funds applied to invest \$450m

eventually approved up to \$200m of foreign investment but only after lengthy delays that irritated investors. No new approvals were granted since July 1994.

The government's recent reform measures should halp. Reductions across the board in corporate taxation will boost Foreign investment is, there-fore, crucial to the market's ment has abolished the requirements that forced foreign investors to get government approval - this will now he undertaken hy AFM officials. More substantial foreign selective buying is now expected in wake of the changes,

particularly in the tourism and services sectors. Bnt as yet, pending govern

ment approval of a bye-law, it remains unclear how free and easy the process of foreign investment is going to be. Furthermore, the government appears to have retained a rule that restricts foreign ownership in all sectors of the economy - except industry - to a maximum of 49 per cent. This rules out foreign investment in several attractive highly capitalised companies, especially hanks like Arah Bank and Housing Bank, where non-Jordanian Arab investors like the governments and government agencies of Saudi Arabia, Kuwait, Qatar and Oman bave already reached the 49 per cent ownership celling.

Foreign investors say these restrictions should be reviewed and the government needs to make much bolder and unambiguous commitments to foreign investment both in terms of procedures and in terms of ownership.

"There will be no dramatic surges in foreign investment like that in Morocco until there is a more clear and unambiguous government commitment to liheralisation," says Mr

Furthermore, investors want to see the privatisation programme speeded up with clear timetables, especially as the government and its agencies hold stakes in about 80 listed companies across the entire range of industrial, insurance, banking and service compa-

In addition, the market must quickly modernise itself to compete effectively with other Middle East exchanges. While the AFM is taking steps to increase the capital requirements and reporting of hrokers, foreign investors bave expressed alarm that AFM plans to introduce a computer ised trading system now look likely to take effect only in 1998. Although companies such as National Securities are providing increasingly detailed analysis, there is still a dearth of solid equity research and information and measures need to be taken to develop the underwriting husiness.

Many in the private sector regret that Jordan missed an opportunity to develop into a financial and service economy during Lehanon's civil war. Now they fear that once again, without radical and fundamental change of heart in political and bureaucratic circles. Jordan could once again lose out as investment flows to more open and favourable markets



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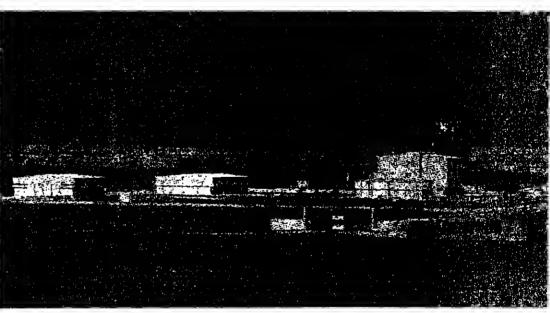
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Politics: by Julian Ozanne

Hussein's paternalism lingers

The powerful personality of the king is inhibiting the development of democracy

In the small Nabil and Hisham theatre in central Amman Jordanian players perform a lampooning political satire of Arah leaders including King Hussein that, if performed in almost any other Arab state, would quickly land them in jail.

It is a mark of Jordan's political liberalism in a region of dictators and absolute monarchs that not only should the play be allowed to go on but that King Husseln has himself heen to see it and laughs warmly at the mention of the skit which parodies his polite

Since anti-government rioting in 1989 forced the king to lift 22 years of martial law and hold parliamentary elections Jordan's democratisation experiment has been a bailed as a role model for regional

reform. The country has returned to political pluralism and the Islamic opposition has been allowed to take part in the constitutional life of the nation, an experiment viewed with alarm hy many of Jordan's Arab neighbours.

But there remains a permanent tension in Jordan between the demands of genuine democracy and the continuing paternalism of the popular monarch.

The tension is underlined by belief at the Royal Diwan, shared by many of the kingdom's citizens, that after having led his unlikely country successfully through 43 years of turbulence. King Hussein often knows better than his

The last minute banning in May of an Islamic-organised national conference called to oppose the king's peace policy with Israel was the most overt sign of the lingering authoritarianism of the regime. The move provoked Ibrahim Izzedine, viewed as a champion of political liheralism inside the government, to resign from the cabinet of Prime Minister Sharif Zeid Bin Shakar, the king's cousin.

Parliamentarians also complain hitterly about: the weakness of parliament;

 an electoral law that marginalises the Islamic opposition and promotes rurally hased tribal representatives: • the continuing disenfran-

chisement of Jordanians of Palestinian origin in favour of ethnic Jordanians - the bedrock

The king towers above all other political figures and is genuinely loved

of aupport for the Hasbemite monarchy, and an atmosphere, rather than specific laws, which inhibit

freedom of expression.

Many of the constraints on

the powerful personality of the king. He towers above all other political figures and is genuinely loved throughout the kingdom – a fact well demonstrated hy the spontaneous outpouring of affection for the 59-year-old monarch when he returned home in the summer of 1992 after surviving a successful operation for stomach cancer.

The king's critics say he too often uses his dominant political position to unfairly infinence policy and interfere in parliament. Members of parliament are often called one by one to the palace for "consultations". The king's constant speeches on all aspects of life in the kingdom also appear to have a disproportionate influence on policy makers and the judiciary.

In addition, the king retains immense powers under the constitution appointing the cabinet and the senate, the upper bouse of parliament. Even middle level government appointments often have to be

idency - King Hussein con-

demned the plebiscite as a

"dangerous farce". He said it

could speed up the disintegra-

tion of the country between its

Kurdish North, Shi'a Moslem

South and a centre under the

prime ministers, usually representatives of Jordan's loyal leading families, are frequently changed by royal prerogative.

The king has ruled this way all his life which is fine so long as we don't call it a democratic system which fully respects human rights. It is a controlled democracy," said an influential parliamentarian. At a conference earlier this

month, deputies called for measures to strengthen parliament including increasing its session from six to eight months. increasing its members from 80 to 100 or 120 and providing better resources for members. Particular criticism was lev-

eled against the electoral law which was amended for the 1993 elections to give voters only one vote for the country's 20 multi-member constituen-

The system, which resulted in the reduction of Islamic deputies from 34 to 16, is criticised as favouring easily manipulated tribal representatives at the expense of urban, national



transferred from the executive or ideological candidates to the judiciary. Reformers also want a redrawing of constituencies on

supervision of elections to be

Bank to the PLO in 1988

Now that some form of Pales-

tinian state is in prospect fol-lowing September'a PLO-Israel

agreement on expanding Pales-

tinian self-rule in the West

Bank. Palestinians still suspect

Israel and Jordan might col-

Inde to limit the development

Still to he resolved, more-

over, is the eventual national-

ity of Palestinian Jordanians.

Israel wants some form of con-

federation with the Palestin-

ians and Jordanians. The PLO

suspects this is a ploy wherehy

Jordan would assist Israel in

keeping Palestinian territory

PLO chairman Yassir Arafat,

according to the king, has thus

come up with his own confed-

eral plan. "I told him to keep

the paper in his pocket." King

Hussein said, "Nothing could

be more harmful to Jordanian-

Palestinian relations . . . than

the suggestion that Jordan wants any influence." As far as

he is concerned, the question is

off the agenda until self-rule in

the West Bank and Gaza is

more firmly and democrati-

It is too soon to talk of a new Arab order and too far-fetched

to see a country the size of

Jordan, however pivotal for its

neighbours, as a driving force

Nonetheless, King Hussein,

who wants his country to be at

the centre of a new regional

architecture of peace, democ-

racy and development, is try-

ing to offer a lead, and clearly

"It has taken a long time in this country to come to the

point where we believe in our-

selves, and [believe] that Jor-

dan has something to say.

believes the time is ripe.

of such as state.

under control.

cally implanted.

in the region.

The king appears to recognise the limits of Jordan's demthe basis of geography and ocratic experiment. He told the population density and the Financial Times the experiment was a process that would take some years and that he hoped for the development of fewer political parties. The current 23 political parties, ha said, were a "crowd that can't go through a corridor easily". But he rejected criticism that his hands-on style had inhib-

ited the development of sustainable democratic institu-"I have been the strongest advocate of democracy and parliamentary life in Jordan

and ... I will do everything I

can to ensure continuity," he "I believe the strongest element in that is to have this kind of participation in shaping policies and then the dependence on an individual becomes less needed . . . The people of Jordan are far more mature than some who are

involved in politics." The king's royal advisers are less diplomatic. A senior palace official acknowledged a certain amount of government gerymandering of alectoral boundaries in 1993 to marginalise the Islamic opposition but stressed that this was no different that electoral manipulation in some western democracies,

including Britain... He said that Jordanians still had to be taught about the responsibilities, obligations and disciplines of democracy rather than its rights. "We have to educate and guide, he

Many Jordanians agree with the Diwan. They say Jordan's democracy needs to be judged not by western standards but in the context of an unstable and undemocratic region still prone to upheavals and malign interference from neighbouring

However, others believe that unless Jordan's democratic experiment is deepened, tribal pressures and urban discontent will undermine the progress achieved so far. They say further development of democratie institutions is vital to long-term stability, especially as the king, whose power and prestige is not necessarily transferable to a successor, is no longer around to exercise his benign influence.

Foreign policy: by David Gardner oving towards regional centre stage

The kingdom is repositioning itself as one of the Middle East's

powerbrokers In little over a year, Jordan has repositioned itself at the centre of Middle Eastern affairs and international interest in the region's stability, upsetting several of its powerful Arab neighbours in the pro-

King Hussein's astute reading of fast-moving events has moved Jordan a long way from its near-outcast status five years ago, when the country was reviled in the west. Egypt, Syria and the Gulf for its ambivalent attitude towards Iraq after Saddam Hussein's invasion of Kuwait,

After the Palestine Liberation Organisation and Israel came out in 1993 with their secretly-negotiated Oslo accord

- for Palestinian self-rule in the occupied territories seized from Jordan in the 1967 Arab-Israeli war - Jordan felt free to seal its own peace treaty with Israel, a year ago tomorrow. In recent months, moreover, the kingdom has realigned itself against Saddam's internationally outlawed regime in Bagh-

Jordan fiercely rejects charges, particularly by Syria, that it broke Arab ranks and provided Israel - the economic as well as military power in the region - with a bridge into a divided Arab world. Egypt had gone before (in 1979), and once the PLO had opted for its own accord, the biggest restraint on Jordan disap-peared. "We all started at the same point in Madrid," King Hussein told the FT earlier this month. "We have our hopes and future to look after," he said, adding: "Jordan wili never be a card in anybody's

hand to play."

Last August, two of Saddam Hussein's sons-in-law, in charge of Iraq's military programme and security, defected to Amman. The king gave them asylum and called for political change in Iraq - winning fulsome plaudits in the US. which immediately upgraded Jordan as a regional powerbroker - and warned it would defend the kingdom against any Iraqi aggression.

King Hussein's volte-face on Iraq has evolved since August into more detailed prescription for that country's uncertain future. He says that the arrival in Amman of "these unexpected guests" was the moment when the extent of Iraq's internal decomposition -"strangled from without" by UN sanctions and "oppressed from within" by the Saddam regime - became clear to him.

weakening grip of Saddam's (Sunni Moslem) Takriti clan, leading to a regional crisis worse even than the Gulf cri-What was most needed, the king said. was to get "credible representatives of the three major components of Iraq's people somewhere to sit together and work out a

reconciliation between themselves". Such an exercise, which almost certainly would have to be held outside Saddam's reach, should lead to new constitutional arrangements, in which "a federated Iraq might be the answer" to fears that in the interview - on the day

of the referendum when 99.96 Iraq will break up. per cent of Iraq's cowed popu-These fears, along with suslation endorsed Saddam's prespicions that Jordan's Hashemplans to regain the Iraqi throne its cousins lost in a bloody 1958 coup, coursed throngb the region after the king's definitive break with Saddam.

ite royal family might bave

Syria's rival Ba'athist regime, along with Iran's mullahs - Iraq's hitterest foes in the region - came quickly to

The king acknowledges that his ideas are meeting resistance

the view that Saddam and the status quo were preferable to a disintegration of Iraq which could suck in neighbours from Turkey to Saudi Arabia and expand Hasbemite influence.

Egypt, the US's chief Arab ally since its 1979 peace with Israel and the traditional regional power until the Middle East peace process strode ahead, was upset at its further marginalisation in regional affairs and sniped at Jordan for

interfering in Iraq's affairs. The king acknowledges that his ideas are meeting resistance, if not that he is isolated on Iraq among his Arab peers. "There is not much evidence of support in the region so far," but "a lot of people are listening," he said. "A bloodbath in Iraq and the fragmentation of Iraq are too terrible to contemplate in terms of this region's stability and future.

After Jordan's exploratory contacts with Qatar and Oman earlier this year, the king's new approach to Iraq has helped the country mend fences with the Gulf - particularly with the al-Saud ruling family of Saudi Arabia, which early this century drove the Hashemite rulers of the Hijaz out of eastern peninsular

Ambassadors have been exchanged for the first time since the Gulf crisis. Jordan plans to explore alternative sources of oil with the Saudis, who cut their supply in 1990, leaving the kingdom dependent on Iraq. In addition, a royal summit with King Fahd is mooted.

For all this, Jordan's most difficult regional relationship will he that of the Palestinians and Israelis. The relationship is rich in economic potential but remains a political mine-Most of Jordan's citizens are

of Palestinian origin, while the country has a history of bad blood with the PLO, which the (ethnic Jordanian) army crushed in a 1970-71 civil war. The king ceded all responsibil-

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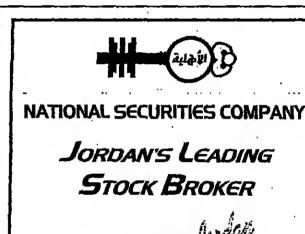
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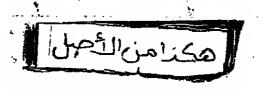
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■ Tourism: by Julian Ozanne

The biggest beneficiary of peace

The government is facing an initial challenge of managing possible unruly growth

When the enigmatic Lawrence of Arabia led the disparate Bedouin tribesmen of the Arab revolt into Wadi Rum, a tremendous desert valley with towering red sandstone mountains, he was overwhelmed by its sublime "vast, echoing and God-like" beauty.

The romantic allure of Wadi Rum still holds true today, hut only just, as Jordan begins to experience a tourist boom in the wake of unfolding Middle East peace and growing international perceptions of enhanced regional stability and security.

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For the first time in its turhulent history, Jordan is exploiting its tremendous tourist potential and turning the sector into one of the most important in its economy and one of the richest areas for investment and growth.

Many of the grandiose 'peace" projects being contemplated - such as a Red Sea Riviera around the Gulf of Aqaba linking Egypt, Israel and Jordan and multi-million dollar theme parks around the Dead Sea -may never materialise. But a hurst of private sector investment is already under way and the government is faced with the immediate challenge of managing what could become unruly growth.

Jordan's tourist riches are immense. As a traditional crossroads of ancient trade rontes, most of the great historical civilisations have left their mark on Jordan from the Moahites to the Romans and Crusaders. Attractions include: the unparalleled Nabateau city of Petra carved out of rose red sandstone:

• the Graeco-Roman city of Jerash, one of the hest preserved ancient sites; the Red Sea;

 Mount Nebo where Moses first saw the promised land; Islamic and crusader cas-

tles; and vast unspoiled deserts and a still hospitable Bedouin cul-

Lawrence legend, immortalised in modern pop culture by the David Lean film. Sites associated with the controversial figure include Wadl Rum, Agaba, the remnants of the great Hijaz railway and the Roman-Arabesque fortress at Azraq.

Until Jordan's October 1994 peace treaty with Israel the country's tourist assets were largely untapped and many were neglected. Since the peace agreement the country has been almost overwhelmed hy a new influx of tourists, many from the hitherto dormant and lucrative North American market which previously stayed away from a region associated with violence and instability.

According to figures from the tourism ministry, in the

The government appears unsure at present exactly how to manage the explosion of activity

first six months of 1995 tourist arrivals increased 40 per cent from 317.331 to 445.157 over the same period of 1994. The biggest increase, albeit from a low base, was tourists from North America which increased 81 per cent from 27,338 to 49,719. European tourism is up 57 per cent and in the first six months of open borders to Israel 52,144 Israelis toured the kingdom. Although figures are not yet

available, earnings from tourism are expected to grow substantially in 1995 from last year's \$600m - equivalent to 10 per cent of gross domestic product - making the sector a much needed source of foreign exchange to ease the country's balance of payments problems.

Arrivals should increase further as the effects of Israeli-Jordanian joint promotion and marketing make the region increasingly attractive for multi-destination packages and



Jordan is featured more in travel brochures and confer-

Joint promotion of the region, with tourists now able to divide their stay in the Holy Land between Israel and Jordan, is critical. A joint offer by El Al and Royal Jordanian airlines in the US, for example,

makes it possible to fly into one country and leave from the

Tourism will undoubtedly be the biggest beneficiary of peace," said Munir Nassar, managing director of one of Jordan's large tour operators. "In the next three to five years we will witness an annual

growth of 25-30 per ceot as Jor-dan is featured more in the

In the peak months of March and April the sudden rapid increase in tourism led to overcrowding of some sites, particularly Petra and stress nn the country's limited transport facilities. Managing the tourism boom has become the gov-

eroment's greatest challeng "We need to be careful about increasing capacity too rapidly," said Abdulellah al-Khatib. "We need gradual and stahie management hecause tha rapid development of tourism puts a tall an our fragile archaeological sites."

The pressure has been intensified by rapid private sector hotel building and the number of hotels rooms is expected to increase from 6,900 to 10,000 hy the end of 1996. In Petra six new hotels are under construction adding 1,750 rooms to the existing 840 and placing stress on the roads and sewage.

In Amman eight three-star and four five-star hotels - a Hyatt, Sheraton, Holiday Inn and Hilton - are in various stages of development, promising to double the capital's 1,000 five star hotel rooms is a short period. The existing Intercontinental and Marriott are also planning expansions.

The sudden boom in hotel huilding concerns existing hotels whose occupancy rates this year have risen to more than 80 per cent. "The government is not interfering with the private sector which is the right pollcy," said Richard Lyon, general manager of the Marriott, "But if all the hotels come on stream at the same time the hotel husiness could

The government appears unsure at present exactly how to manage this explosion of activity given its commitment to non-interference in the private sector. Mr al-Khatib says the ministry is against mass tourism. "Our competitive advantage is to focus on qual-

ity tourism," he said. But it is unclear how this objective is to be achieved. Private sector tour operators have their suggestions for controlled

Continued on page 6

■ Regional integration: by Julian Ozanne

Trust is beginning to be established

Iordan and Israel are so far the most solidly committed to the development of co-operation

When Jordan bosts about 1,700 husinessmen and government nfficials at the Middle Bast/North Africa economic summit in Amman this weekend, the kingdom will be putting itself at the centre of a new region evolving towards integration and co-operation m the wake of unfolding Mid-

But, despite the summit's ambitious claims to be about a region extending from the Atlantic to the Persian Gulf. the meeting will he more about the so-called Israel-Palestine-Jordan triangle and, to a lesser extent, Egypt.

Efforts at the development of regional tourism and infrastructure, co-operation in telecommunications, transport and electricity and removing trade barriers as the first step to a regional free trade 200 focus largely on the triangle and a reluctant Egypt.

Jordan and Israel are so far the most solldly committed to the development of integration and the economic liberalisation which must precede it.

The two countries have signed a range of co-operation agreements from tourism to transport, a trade agreement is dne this week and as well as an announcement of a series of projects to develop and protect shared geographical assets, including the Jordan Rift Valley, the Dead Sea and the Gulf of Agaba.

Jordan will he presenting 27 national projects in tourism, transport, mining, telecommunications and water. These are worth \$3.5bn to investors and donors at the Amman summit.

The Palestinian authorities, which have agreed a customs union with Israel, are keen on economic links but are continnally at loggerheads with Israel over the political aspects of the unsatisfactory peace process.

Egypt has expressed interest in better regional tourist development hnt is nelther politically nor economically willing to take the liberalisation steps necessary to become part of an embryonic reginnal

trading bloc. Many of the problems in the drive towards regional integration come from continuing Arah suspicions about regional economic hegemony Israel. But even among Arab countries there is deep competition and jealousy.

There is a lot of tension tween the four parties, particularly hetween Egypt and Jordan and between Israel and

The sector that has attracted the most enthusiastic private sector participation has been tourism

the Palestinians," said a western official. "Everyone is worried about who will be the losers and who will to he the winners in the short term from changing patterns of trade and transport rontes. Regional integration only works when all parties take the long view."

Nevertheless, the creation of standing committees - consisting of officials from the four main parties - is hallding trust. Once the process is extended to the private sector. with joint ventures and hasiness links, the process should gather momentum.

To this end, the announce ment of a Middle East development bank, and regional private sector husiness and tourism councils at the summit will beln to cement regional relationships.

So far efforts at integration being carried out under the umbrella of the Regional Economic Development Working Group or REDWG - are focusing on four areas:

Tourism:

• Infrastructure, Including the development of a Middle East transport study and plans to co-operate in telecon cations and electricity; and · Finance, which concen-

trates on creating a regional development bank and fostering co-operation hetween regional stock markets. So far the sector that has attracted the most enthusiastic private sector participation

been tourism where the unfolding peace process most clearly promises immediate returns with the help of joint promotion and marketing of

Three sub-regional development projects are being established for public and private sector participation:

 The development of the Jor dan Rift Valley: The development of the

Gulf of Agaba; and • The South East Mediterra nean Economic Development programma which covers the coastline from El-Arish in Egypt to Gaza to Ashdod in

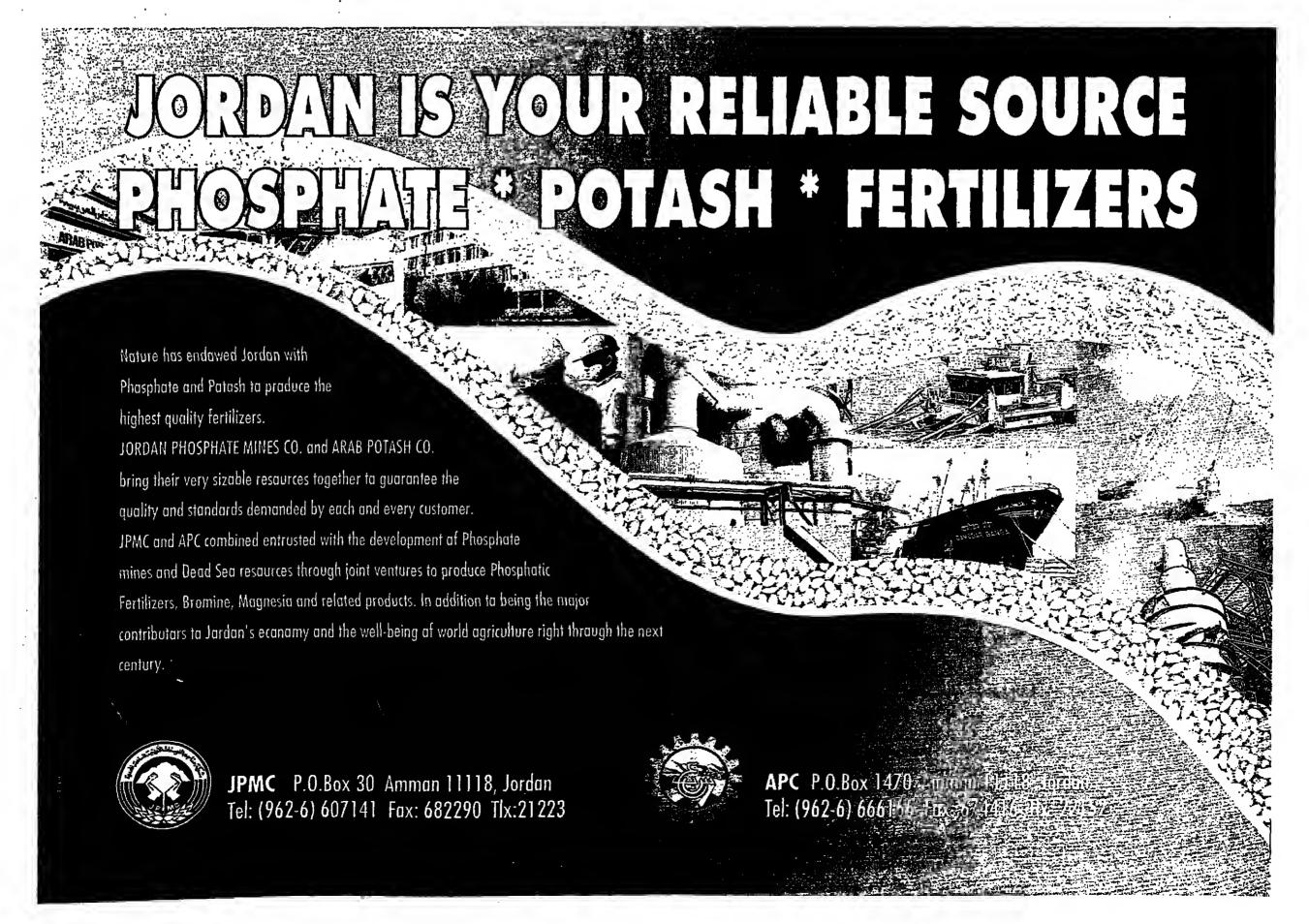
Of these, most progress has so far been made in the Gulf of Aqaba, with projects to contain oil spills agreed and a feasibility study under way for a joint Israeli-Jordanian airport. Other projects such as the

npgrading of bridges, border crossings and roads are expected to be put on a fast track once planning is completed.

But the drive towards inte-

gration still rests on the continuing success of the Middle East peace process which remains incomplete until Syria and Lebanon join in and until Israel meets Palestinian aspi-"Regional integration and

co-operation is hostage to politics," said an official. "It takes place within the space created hy the peace process and the extent to which countries open up their economies but as that process develops things become easier."



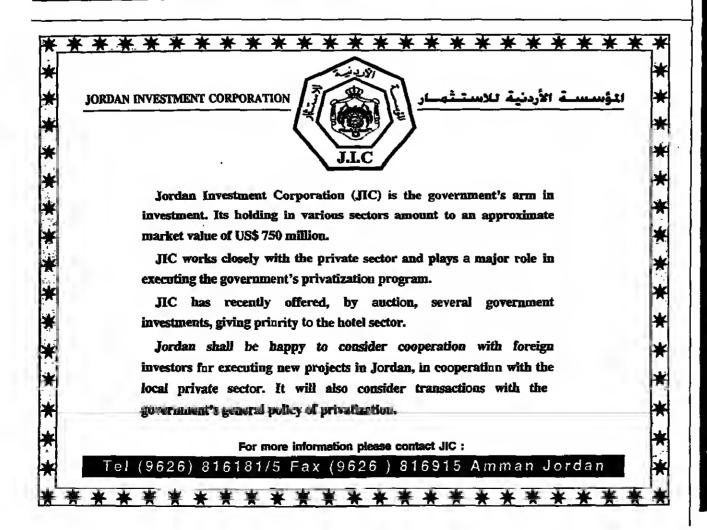
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GDP at market prices (JDm) 2,668 2,855 3,493 3,882 4,266 Real GDP growth (%) Consumer price Inflation (%) Population (a) (millions) (East Bank only) 1,064 1,1301,219(c) 1,246 1,425 Exports fob (b) (\$m) 2,300 2,302 2,999 3,145 3,150 Imports fab (\$m) -754ta -712ta -765ta -628ta -340 Current account (\$m) Reserves excl gold (\$m) (vear-end) 7,276 7,787 7,184 6,872 5,550 Total external debt (e) (\$m) 18.2 20.1 18.5 14.8 14.8 Debt-service ratio (%) Exchange rate (av) JD:\$
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King Hussein

Remarkable Arab survivor

done nothing more than survive the last half century of turmoil in the Middle East. it would have been remarkable enough. Not for the first time in his 43 years on the throne, he is enjoying a comeback after he and his much-huffeted buffer state refused to engage on the side of the west and its Arab allies in 1990-91, to eject Saddam Hussein of Iraq from

From near isolation in the region and international opprobrium, Jordan is now seen as a central piece in the igsaw of the Middle East peace process. The king is also seen - with hope in the west and suspicion hy bis more powerful Arab neighbours as a powerbroker in the unfolding tragedy of Iraq.

The king's confident recent performance seems natural. but it was not ever thus. He bas survived three Arab-Israeli wars as well as the Gulf crisis, revolution from the Nasserites in 1957-58, and civil war in 1970-71 with the Palestinian resistance, driver into the country after Jordan lost the West Bank and east Jerusalem to Israel in 1967.

He bas survived numerous coups and assassination attempts. Aged 16, he was standing beside his grandfather, King Abdullah, at Al Aqsa mosque in Jerusalem in 1951, when a disaffected Palestinian shot dead the canny founder of modern Jordan.

If King Hussein of Jordan had The bullet meant for him bounced off a medal on his uniform

When his Hashemite cousin King Faisal was toppled by a bloody coup in Iraq in 1958. few gave the young King Hussein any chance of survival in Jordan - secured, in the event by British troop reinforcements and a US airlift of oil over Israeli airspace.

Jordan was from its origins an improbable country. In the 1920s, the British mandate authorities in Palestine. endorsed by the French mandate government in (greater) Syria, ceded Transjordan (or the East Bank of the Jordan river) to King Abdullah as an ungovernable area overrun by lawless Bedouin tribes.

Locked between the Levant and peninsular Arabia, caught between Israel and the Palestinians to the west, Iraq to the east and Egypt to the south-west, every political wind to cross the region blusters through Jordan.

King Hussein, according to Kamal Salibi, author of the recent Modern History of Jordan early on "realised the nature of his assets and liabilities". Unlike Gamal Abdel Nasser, the towering pan-Arab nationalist ruler of Egypt from 1954 to 1970, King Hussein raiweys made a point of operating within his limits".

Thus, at the 1964 Arab sum mit in Cairo, the king went along with Egypt and Syria's decision to divert the headwa-

ters of the Jordan river, even though this and the frenzy of nationalism which propelled it, would lead to a war with Israel for which the Arabs were ill-prepared.

In the wake of the catastrophic Arab defeat of 1967, the pan Arab nationalism which led to it was discredited, allowing the Jordanian monarch to go his own way. confident of his assets and less inhibited by his liabilities.

The 1994 peace treaty with Israel and this summer's break with the Iraqi regime are the most signal recent examples of this. The moves have earned the king criticism across the region for breaking Arab ranks and, in some eyes, angling towards a Hashemite restoration in Bagbdad.

The king, who like all Hashemites descends from the family of the Prophet Mohammed, was once second-in-line to the Iraqi throne. The regional response, he says ironically, gives me the impression that Hashemite popularity must be more widespread than I had appreciated". But be states

flatly that "I gave all that up". The Harrow and Sandhurst educated king, has in the past not besitated to use his cohesive. Bedouin-staffed army to impose order, or promote tribal politicians to ensure loyalty in a country whose population is largely of Palestinian origin. But his liberal instincts have made Jordan the freest of Arab nations.

with a guided but genuine democracy, restored from

"One of the greatest weaknesses of the Arab world is the absence of pluralism. democracy and human rights," he says, offering Jordan's democratic experience "as an example that works". In the past he has railed at the divisive demagoguery of much of the Arab political class, noting in his 1962 antobiography that "ambitious men have made claims without founds tion, and promises they could

not keep" Into this gap between rhetoric and reality, he believes, have crept the Islamic extremists. Ignoring the wisdom of his neighbours who repress them, be has co-opted the Islamists into parliament and in 1991, the cabinet, binding them to a constitutional con-

sensus. It no doubt helps in this sort of risk assessment to be descended from the Prophet But the king has shown lead ership, as he seems increas ingly disposed to do in the construction of regional peace and on Iraq, "I belong firmly in the peace camp," h declares, while warning that the still stuttering peace process is "a race, between those who believe in life and stability [and] the prisoners of the past with all its horrors".

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37.7

David Gardner

The biggest beneficiary of peace

Continued from page 5

Mr Nassar says policies must be put in place to spread the tourist season throughout the year to use spare capacity in non-peak months. He also says the government must speed up infrastructure development and be extremely careful not to allow projects to damage Jordan's precious eco-system.

"To allow the development of hotels inside Wadi Rum would be criminal." he said.

ment is promoting a series of "peace projects" worth \$1bn it hopes the private sector will fund, including:

• The \$500m Agaba South Coast Tourism Development project where charter tourism could provide one of the biggest sources of growth. The project aims to increase Aqaba's current 1,400 hotel rooms by developing the south coast. The first stage of a master plan

initiated projects, the govern- 3,000 hotel rooms, 1,000 holiday homes as well as restaurants, shops, camping areas and golf

• The \$500m Dead Sea Tourism Project to develop 36 miles of shoreline. At present Jordan bas only 100 rooms at the Dead Sea compared to neighbouring Israel's 2,000 rooms. The master plan eovisages the construction of 15,000 hotel rooms and 18,000 housing units by the year 2010 to exploit the thera-In addition to private sector calls for the development of peutic and tourist potential of its potential.

the Dead Sea. The development of a joint

Israeli-Jordanian airnort at Agaba. The joint Israeli-Jordanian development of a "lowest park on earth" around the southern

shores of the Dead Sea. Tourism will undoubtedly be one of Jordan's most important engines of economic growth in the coming decade but managing the growth will determine how the country best exploits

JORDAN FREE ZONES ARE YOUR RIGHT CHOICE IN THE REGION.

ordan stands unique in the region with its democracy, political stability, and free economy. These combined have rendered the Kingdom an ideal place for investors, while the strategic location at the cross-roads of three continents along with an already complete and everexpanding infrastructure have qualified it to assume an eminent role as a major financial and trade center -Jordan has also adopted several liberalisation measures to serve as incentives for foreign investment in the various economic and development programs and projects.

Investors and owners of projects in JFZC enjoy exempting their profits from income tax for twelve years, exempting the salaries of their non-Jordanian employees of Income and Social Affairs Tax, exempting buildings and constructions erected in the free zones from license fees and other taxes and from rents for two to three years, ensuring the free zones movement of remittances and transfer of capitals of projects to and from the Kingdom.

FACTORS OF FREE ZONES SUCCESS:

Political stability and security in Jordan, the central geographic location, the availability of skilled labour, through an ever-expanding infrastructure, and other manifold privileges.



THE CORPORATION'S AFFILIATE **BRANCHES**

The main branches of the Corporation are at Zarqa and Aqaba; the different enterprises and plants within the zones are divided into the main sectors of Commerce and Industry. The Zarqa Free Zone established in 1983, expands for over 5.5 million m² and accommodates the variant investment activities; in addition to other tertiary sectors like the Car Shows, and the commercial fares. The Aqaba Free Zone established in 1973 in Aqaba Port City, currently serves transit trade and sea-borne goods and contains large warehouses for storing as well as a 6000 ton cold chambers. Work is underway to inaugurate in the near future two more free zone branches at Queen Ala Airport to cater for high tech light industires and in Sahab Industrial Estate Corporation to serve the various industries there.

PRIVATE FREE ZONES:

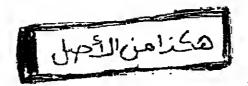
In its endeavour to introduce in latest developments that occurred on the concept of the free zones, over seven private new zones are fully operating in the various parts of the Kingdom; they include huge investment projects such as the joint Jordanian-Indian company for manufacturing Phosphoric Acid, and the joint Jordanian Japanese Company.

IF YOU ARE LOOKING FOR INVESTMENT OPPORTUNITIES?

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For more information, please contact the free zones corporation at: Telephone: 642001, 644589, 617821. Facsimile: 644821, Telex 41485 PO BOX: 20036 AMMAN - JORDAN

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COMMODITIES AND AGRICULTURE

*Anglo chief downbeat on gold price outlook

Train Richard

South African gold producers cannot look to a sharp increase in the metal's price to help them out of their present difficulties, according to Mr Clem Sunter, chairman of Anglo American Corporation's gold and uranium division, the world's higgest gold producer. South Africa has become the highest-cost gold producer. Mr Sunter suggests that

gold's dollar price will continue to trade within a very narrow range, with demand from developing eastern economies supporting the price below US\$380 a troy ounce and forward and other sales capping it in the \$390s.

He also points out that the South African currency has been stable against the dollar for more than a year and, while there may he some depreciation, no substantial

drop is anticipated". Mr Sunter says: "With a stable domestic currency and a dollar gold price trading in a narrow range, we do not think it prudent to plan on any sharp increases in the local [South African] price of gold. We might even see further squeezes in our profit margin if local rand price increases do not match unit cost escalation in the industry".

By Nikki Tait in Sydney

Recent rainfall on both the

east and west coasts of Austra-

lia has prompted the Austra-

han Bureau of Agriculture and

Resource Economics to lift its

forecast for the 1995-96 wheat

harvest hy 500,000 tonnes to

16.7m. This would be 85 per

cent higher than the drought-

affected figure for the previous

The government-owned fore-

casting agency noted that

severe frosts had adversely

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With this in mind, Mr Bobby Godsell, the division's new chief executive, says It is inevitable that Anglo's gold output in South Africa will fall and a number of mine shafts close. Others will reduce the scale of their mining operation. "Management strategy is to achieve this downsizing in a managed way which minimises retreochment and leaves the least pos-

sible gold in the ground." The division is reviewing costs and "where no value is added, the activity will be abandoned." The division has also set itself the goal of returning to 1993 labour productivity levels and individual companies are reviewing with the unions existing work structure and practices.

 Gold prices could rise to between \$400 and \$420 an ounce in the short term hut will not remain there for long. says Mr Ted Arnold, analyst at the Merrill Lynch financial services group. "A \$20 to \$30 an ounce move upwards would cut off virtually all Asian, Indian and Middle Eastern jewellery buying interest," he suggests, because the physical gold market is very price sensi-

A sharp price rise would also result in disinvestment selling from the Middle East, particularly from Saudi Arabia. "Recent estimates by smelters

however, that while the 602,000

Rain boosts Australian harvest hopes

and dealers in the area put the toonage to be disinvested at between 500 to 700 tonnes once prices get above \$400." Also, higher prices would accelerate forward selling by gold producers, particularly South Africans. "That could add another 200 to 700 tonnes of fresh supplies to the market from the \$390 level on upwards," says Mr Arnold in Merrill's latest Commodity Market Trends

Mr Arnold insists that "profound and irreversible changes have occured in the nature of the gold market since the glory days of the late 1970s and early

Exchange controls have been removed throughout the OECD allowing the free transfer of assets between countries and currencies.

The growth of financia futures markets allows institutions to have direct "one on one" hedges against their bond, currency and equity portfolios. "This again does awsy with the need to huy gold,"

Rampant inflation has been eliminated from the world's major economies.

Gold mine supply has risen five fold since the early 1970s. "That extra supply, plus forward sales, keeps the market very adequately supplied at all times," says Mr Arnold.

More base metal supply warnings issued

By Kenneth Gooding

More warnings that some metals will be in short supply next year emerged yesterday as analysts published reports timed to coincide with "Metals

Stocks of aluminium, nickel ond lead will be reduced to critical levels before long, suggests Mr William Adams, analyst at Rudolf Wolff, the commodities trader that is part of Canada's Noranda natural resources group.
In Wolff's "Outlook for Met-

als in 1996" he predicts that a steady rise in aluminium smelter output will be more than offset by consumption growth of 2 per cent. He forecasts that aluminium prices will stay above \$1.600 s tonne and move towards \$2,200 late in 1996. Wolff predicts a 1996

average price of \$1,850. Mr Adams thinks nickel con-

sumption will grow by 3 per cent at least, leading to a supply deficit and critically low stocks The three-months London Metal Exchange price is forecast to be sustained at \$9,000 a tonne next year.

LINE WAREHOUSE STOCKS WAS BE Monday's clos

Aluminium	-3,825	to 530,625
Alluminium alloy	+420	ED 48,400
Copper	+925	to 182,475
Lead	-3,450	to 196,925
Nickel	-894	to 53.196
Zec	-3,150	to 727,000
Tim	-230	10 14,390

Wolff sees lead supply shortages driving prices to a peak of \$720 a toone next year, even though demand for batteries from the motor industry is likely to slow down.

These forecasts are based on Wolff'a view that global economic growth will be 4.1 per cent next year, well above the growth forecast by many other

analysts. Billiton Metals, part of South Africa's Gencor group, is more cautious, going for 2 per cent growth in the OECD countries next year when compiling forecasts for

its "Base Metals Review." Neverthelesa, anthors Ms Karen Norton and Mr Angus MacMillan agree with Wolff about one metal, saying lead stocks will be at uncomfortably low levels by the end of next year as the market records another big deficit. Supplies are predicted to remain tight into 1997. Billiton sees lead prices averaging \$727 a tonne next year and 793.50 in 1997.

However, Billiton suggests that the aluminium market will move back towards balance as 1996 progresses and "this will have a negative impact on prices." It is forecasting aluminium prices averaging \$1,650 a tonne next year

that, although substantial supply deficits can be expected in 1995 and 1996, these follow a period of surplus and stocks will not hit critical levels. In 1997 a combination of higher output and slowing consumption will return the market to halance. Billiton sees nickel prices averaging \$8,375 a toone next year and \$7,714 in 1997. Forecasts of average prices for 1996 for the other LME met-

als from the two brokers are: copper, Billiton \$2,314 a tonne, Wolff \$2,500; tin, Billiton \$6,612 and Wolff \$6,500; zinc, Billiton \$1,102 and Wolff \$1,150. There are words of caution for copper and aluminium bears in the latest Commodity Market Trends report from the Merrill Lynch financial ser-

vices group. Analyst Mr Ted Arnold points out that the Japanese usually begin their GSP tgeneralised system of prefer-

ences) purchases in November. This is copper on which they ment. He says the tonnage of refined metal bought rarely varies from 100,000 tonnes. "The LME is the only reservoir of surplus refined metal that we know of, which is why some market reports say that about 30,000 toones of the Long Beach [LME] stocks are already controlled by Asian merchants. Recent option activity also points to higher prices in the December-Febru-ary period. The options market might be saying: Don't be too short for too long."

As for aluminium, Mr Arnold suggests that, "with LME cash prices at or below the \$1,625 level, very few of the big producers will be in a hurry to restart idled capacity." He says an average price of \$1,650 a toone is needed to justify producers expanding capacity.

Change of emphasis urged at UN food agency

John Madeley on criticism of the FAO's 'hi-tech' approach to agricultural problems

and \$1,550 in 1997.

and Agriculture Organisation celebrated its 50th anniversary last week, in the same hall in Quebec, Canada, where it was founded.

in 1945, governments of 44 countries gave the FAO a mandate to improve the efficiency and production of agricultural products, raise levels of nutrition, and contribute to "humanity's freedom from hunger".

Half s century later, however, there are probably more chronically hungry people than ever hefore - around 800m, estimates the FAO - although they account for a declining proportion of global popula-

"Suhstantial progress" in food production has been achieved, it says, with "dramatic results" from the application of science and technology. Cereal yields have jumped to an average of 2.7 tonnes a hectare, from 1.4 tonnes in the 1960s; world agricultural pro-duction has doubled in the last

The United Nations Food 30 years; and agricultural trade has risen three-fold. "More food has been reach-

ing a greater number of people", says the FAO, "and an end to chronic hunger can be achieved." The availability of calories per person has increased from 2,300 to 2,700 a day, "despite an increase of over 2,400m in the world's population".

The problem is that while the world grows enough food for everyone, about one person in seven is still chronically bungry, mostly in Africa and Asia. World food stocks, another FAO concern, are also "below minimum safe levels" for food security, it says.

But not everyone believes that the FAO, which funds agricultural projects in developing countries, is pulling its weight. It has come under attack from non-governmental organisations for persuing "hitech" solutions to agricultural problems that may not lead to sustainable output and could damage land, Several donor countries, notably the US, have require external inputs that more, with resource-conserving not been happy with FAO's large hureaucracy in Rome. where over two-thirds of its professional staff are

Soon after taking over as

director-general in January 1994, Mr Jacques Diouf of Senegal called for s "new and relentless war on bunger and malnutrition", and for the FAO to be re-invigorated to make it more effective. He launched a "special programme on food production for food security in low-income, food-deficit coun-

ow 88 countries fall into this category, 44 of them in Africa. While the programme talks of the need for sustainable agriculture and farmer participation, it focuses on better endowed agricultural areas, in order to make a quick impact on food production".

Critics allege that the approach still relies too much on "hi-tech" solutions which

small farmers cannot usually afford. FAO's recent thrust, says Mr Jules Pretty, director of the sustainable agriculture programme at the International Institute for Environment and Development, is to take the line "that low-input agriculture is always low-outpnt, and that fertilisers and pesticides are the only way to

Mr Pretty describes this spproach as "curious". Recent evidence from many parts of the world, he says, is showing that low-input agriculture can be highly productive "provided farmers fully participate in all stages of technology develop-

feed the world and that chemi-

cal inputs protect world food

security".

ment and extension", Improving the farmers' own capacity to innovate could unlock a "huge potential for productive and sustainable agriculture", he points out, food output from the same land can he increased two or

three-fold, and sometimes

JOTTER PAD

technologies and practices which do not damage the environment".

Ministers of agriculture and officials from over 160 countries held a 3-day meeting in Quebec earlier this month to discuss an FAO document that warned that yields from Green Revolution technology, which performed so spectacularly in the past were plateauing" and that land degradation was increasing. On October 16 they approved "the Quebec Declaration", and reaffirmed FAO's objectives. But the difference from 1945 was in references to the need for sustainable agri-

culture. If the FAO is to survive "another ten, let alone 50 years, then it will have to show that it adds considerable value through its work", says Mr Pretty.

By giving a distinctive lead on agricultural policies that promote sustainability, the FAO could make a difference,

affected yield prospects. It said, COMMODITIES PRICES

BASE METALS LONDON METAL EXCHANGE M ALUMINIUM, 90.7 PURITY (5 per torme

Clase	Cesh 1641.5-42.5	3 miles 1579-60	Dec Fah	384.2 386.2	Ξ	384.5 386.5	383.8 388.0	1,193	107,882 24,746
Previous	1626-27	1093-64	Apr	388.6	-	388 7	388.4	17	9,923
High/low	1641/1626	1679/1663	Jan	391.2	-	-	-	20	10,835
AM Official Karb close	1637-37.5	1674.5-75 1675-78	Ang	393.7	-	-	-	25 8,188	2,870
Open Int.	219,817		M PL	MUNUTA	NYME	(50 Tr	oy oz.;	\$/troy	3Z.)
Total daily turnover ALUMINIUM ALL	41,266	a)	Oct	411.5	-1.4	412.0	4120	6	474
ALOMATROTO ALL				4120	+0.1	4125	410.1	1,237	30,202
Clase	1400-05	1435-40	Apr'	412.2	+0.2	411.0	411.0	45	1,620
Previous	1380-80	1420-30	Jesi	413.3	+0.1	-	-	51	1,862
HighNow	-	•	Oct	413.5	+0.1	-	-	4	126
AM Official	1400-10	1440-50	Total					1,362	24,688
Kerb close		1430-40	■ PA	TADIUM	NYM!	EX (100	Troy 02	L; \$/tro	y OZ)
Open Int.	3,085		Dec	400 40	-0.45	136,75	430 AE	213	4,684
Total daily turnover	812			136.40			137.25	158	1,136
M LEAD (S per tonn	0)		Mar	137,65 139,90	+6.30	137.73	137.20	130	125
Close	688.5-91.5	679-74	Total					371	6,145
Previous	669-71	661-62	S4.	VER CO	MEX 15,	n7 2000,	oy oc.; (Cents	Dy OZ.
High/low ,	698	679/668	Des	533.6	+0.5	530.0	530.0	40	
AM Official	697-98	676-77	Dec	536.7	+0.5	538.0	533.0	5,993	63,049
Kerb close		674-75	Jen	538.4	+0.5	200	3,20,0	-	26
Open int.	32,949		Mar	543.5	+0.6	544.0		229	
Total daily turnover	11,767		May	547.6	+8.6	546.5	546.5	14	6.828
MICKEL (\$ per 10)	nne)		Jul	551,5	+0.6	550.0	550.0	0	0,473
Close	6260-60	8395-8400	Total					1,255	105,030
Previous	7990-8000	8115-20							
High/low	8160	8500/8250							
AM Official	8190-95	8310-15							
Kerb close		8450-55							
Open int.	44,454		ENF	ERGY					
Total daily turnover	15,616				ARD IE	v 447 N	M 110 -		-
TIN (5 per torne)			E CR	UDE OIL	RIME	Y MSY	n na a	- S	resul

AM Official Kerb close	8180-85	8450-55
Open Int.	44.454	
Total daily turnover	15,616	
TIN (5 per torne)		
Close	8175-85	6240-50
Previous	6160-70	6230-35
High/low	•	€270-45
AM Official	6170-80	8240-45
Kerb close		6245-47
Open Int.	12081	
Total daily turnover	3,061	
ZINC, special high	grade (5 per	lonna)
Close	966-67	990-91
Previous	955-56	879-80
ligh/low		983/983
M Official	962-63	966-87
Kerb close		991/92
Open int.	80,083	
Total daily turnover	10,429	
COPPER, grade A	(\$ per tonne)	
3000	2805-10	2707-08

Previous High/low AM Official Karb close Open inf.	2790-65 2820/15 2810-15 187,931	2725/2880 2717-16 2708-09
Total daily turnover	78,207	
LIME AM Official !	rate: 1.5617	
Spot: 1.5794 3 reths: 1.57	62 8 mide: 1.57	19 9 mths: 1.5680
HIGH GRADE COF	PER (COME	9
O. M. Dowle		Cleans

Sett	change Day's	High	1.000	Vol	par.
128.20	-1.30		128.00	325	552
195.20	-1.45	126.40	125.80	185	1,612
123.30	_1 40	125.70	123.25	4,574	23,063
122.95	-1.40	124 50	122.80	27	605
121.35	-1.40			1	445
120.00	-1.35	122.40	120.50	585	8,199
12020	-1.00			R/A	WA.

PRECIO	US META	LS	
E. LONDON J	BULLION MARI	KET	
(Prices supplies	d by N M Rot	rscruio)	
Gold(Troy az)	\$ price	5 ediny	SFr 6
Closes	382.20-382.60		

Prices supplie	d by N M Roth	schild)	SFr equiv
Gold(Troy oz)	\$ price	E OCITA	Cal before
Close	382.20-382.00		
Opening	382.40-382.80		040
Morning fix	382.55	242,120	431,249
Afternoon for	382.50	242.012	433,584
Day's High	382.60-383.00		
Day's Low	382.10-382.60		
Province close	382.50-383.00		
I IGNIQUE LACOC		Pantar O	m 1 (SS)

Day's Low 38	2.10-382.60	
Previous close 38	2.50-383.00	
Loco Lan Meen	Sold Lending Re	tes (Vs US\$)
4	9.70 6 MON	763
2 months	_3.74 12 mor	数5
3 months	3.51	
Sever Fix	D/troy OZ.	US dis equiv.
Spot	338.25	535.26
3 months	342.80	541,40
2 Uduling	047.45	547.50

Silver Fix	p/troy oz.	US as equiv.
Spot	338.25	535.25
3 months	342.80	541.40
3 months 6 months 1 year Gold Coins Krugerrand Maple Leaf New Sovereign	347.45 356.95 \$ price 382-384 393.00-395.50 97-90	547.50 559.85 £ equiv. 241-243 55-57

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last year. Similarly, while northern New South Wales - a much bigger wheat-producing state had also suffered frost damage, total wheat production there

Precious Metals continued M GOLD COMEX (100 Troy oz.; \$/roy oz.)

should total almost 4m tonnes. more than five times the 1994-95 harvest. Overall, Abare forecast that

Australis's total winter crop production would recover by in 1994-95.

tonnes forecast to be produced tonnes. in Queensland was below aver-On summer crops, the forecaster said that the area age levels it would still be three times the figure achieved

around 88 per cent to to 27m

planted to cotton should expand by around 17,000 hectares, to 226,000 hectares. But it warned that there were still severe limitations on the availability of irrigation water, for the fourth season running. Despite a switch by growers to more "rain-grown" plantings. it forecast total Australian cotton production at 295,000 tonnes, 21,000 tonnes less than

SOFTS ■ COCCA LCE (E/tonné

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in part	change	Migh		You	lett.		Series.	Cymelly	Marin	Law	Vet
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23.55	-0.70	123.96	123.35	152	2,152	Salar .	851	48	955	944	2525
25.55	-0.70	125.75	125.35	253	1,586	May	965	+4	974	962	335
27.50	-0.75	127,80	127.35	276	2183	Jul	984	+2	987	964	40
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04.00	-7.25	509.75	503.00	4,826	30,775	Mar	1350	84	1365	1349	1.964
74.00	-35	475.50	473.50	508	3.583	Mary	1371	+6	1388	1375	557
30.25			429.50	1.344	13,059	Jul	1393	+0	1408	1400	1
31.25		433.50	430.50	392	1,856	Sep	1417		1424	1415	265
40.25	-1.75	441.50	438.50	77	636	Dec	1444	+7	-		350
				17.594	197,420	Total					6,590
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+0.5		295.00 277.75	1,910	6,303 20,658 681,181	Hor Jan Mar Mar	2419 2351 3306 2241	122	2475 2415 2361 2305		1,95
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rgy	,					30	TABEAN	2 (Q) C	, DOUGH	War: Coc	dayoue o
	NYME	K 42,00	o us	golfs. Si	(Jernad)	More	669.25 679.50		672.50 683.25		
Sett	cprade pal,2	High	Low	Vol	Open int	May	689 25 683 50	+1.75	592.25 537.00	683.00	5,897 1,718
17.32	+0.11	17.42	17.16	42,995	107,694	Jel	637.00		790.50		1,190
17.14	+0.07	17.22	17.03	12,498	52,905	Alag	694,75	+1.75	636.50	632.00	12
17.05	+0.04	17.12	16.97	2,437	23,184	Total					50,0781
17.00	+0.03	17.05	16.93	1,111	18.446	■ SQ	YABEAN	OIL C	3T (80,0	DODE:	cents/it;
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DE OIL	PE (\$/	ратер				May	21,20	+0.08	27.30	21.07	601
Set! price	Day's change	High	Low	Vel	Open int 87,610	Jel Aze Total	27.32 27.35	+0.05 +0.09	71.45 21.45	27.25	481 20 2,685
16.05	+0.11	16.13	15.89	22,864		■ \$0°	YABEAN	MEAL	CET II	CO tors	: S/toni
15.95	+0.12	15 96	15.79	6,643				_			
15.84	+0.07	15.88	15.70	1,107	11,508	Doc	207.9	+0.5	208.6	206.1	12,287
15.70	+0.06	15.77	15.66	468	7,059	- Jake	208.8	+0.8	209.4	207.0	3,573
15 70	+0.05	15.75	15.72	481	1,540	Mar	200.8	+0.8	210.5	201.9	2,597
15.66	+0.04	15 RR	15.57	170	1.540		200 1	-01	200 E	207.4	1.067

	Seti price	they's change	High	Lee	Vol	Open
GAS	OL PE	\$Aprile				
otal					25,691	160,107
lpr	47.69	-0.12	47,80	47.65	97	
Ter.	48.84	+0.03	49.20	48.70	524	
cir	49.74	+0.13	50.00	49.50		19,623
len	50.02		50.30	49,80	3,567	
Jec	49.64	+0.34	50.00	49.15		42,757
lev	49.36	+0.42	49.65	48.80		28,350
	price	change	High	Low	Vol	Ħ
	Sett	Day's				Open
HE	ATING C	HIL. NYME	X (45,00	o us p	s.; ou	Daner)
i pitali						147,329
Ray	15.66	+0.04	15.68	15.57	170	
Apr .	15 70		15.75	15.72	481	3,479
No.	15.70	+0.06	15.77	15.66	468	7,069
feb	15.84	+0.07	15.88	15.70		
Jan	15.95	+0.12				11,500
	10.00	-0.45	15 96	15.79	0.047	37,863

	price	change	High		Apr	
	149.25	+3.00	149.50	147,00	8,054	36,470
	148 50	+250	149 75	147.50	6.262	23,307
	149.50	+2.00	149.75	147.75	1,559	21,150
	149.50	+1.75	149,75	148.25	585	6,151
	149.00	+1.75	149.00	148.25	88	3,682
	148.25	+1.50	148.25	147.00	226	1,433
					12,240	109,623
u	TURAL O	BAS MI	EX (10)	000 meni	Star.; S/m	mBtu.t
	Sett	Day's				Open
	price	change	Mgh	LOW!	Yel	last.
	1.772	+0.009	1.785	1.755	21,536	11,372
	1.893	-0.020	1.828	1.795	7,248	30,215
		-0.020	1.828	1.795		30,215 24,093
	1.854	-0.020			2,181	
	1.854 1.807	-0.020	1.877	1.850	2,181 729	24,093
	1.854 1.807 1.754	-0.020 -0.020 -0.018	1.877	1.850 1.805	2,181 729	24,093 13,084 9,772

pr stai		-0.018		1.700		6,210 136,622
UNI	LEADED Ex (42.00	GASOI US Galle	LINE L; c/US q	e faite		
	Set! price	Day's change	High	Low	Vot	Open
24	49.87	+0.06	50.50 49.90	48.50 49.05	10,030	16,369
ND BC	49.31 49.41		49.95	49.30	1,886	9,657
rb de	49.83 50.00	-0.05 -0.13	50.25 50.35	49.70 50.10	227	3,548 2,034
er er eni	52.50	-0.23	52.60	52.60	97 18,496	3,040
_						

- 394.5 383.8 6,199 107.882 - 386.5 388.0 1,193 24,746 - 388.7 388.4 17 6,923 - 20 10.835 -1.4 412.0 412.0 8 474 +0.1 412.5 410.1 1,237 20.202 45 1,520 51 1,662 4 126 136.40 +0.45 136.75 135 95 213 4.884 137.85 +0.30 137.75 137.25 158 1,136 139.00 +0.30 - 125 371 6.145

GRAINS AND OIL SEEDS

■ WHEAT LCE (€ per tonne)

May	474.00	-35	475.50	473.50	508	3,583
Jal	430.25	-225	432.00	429.50	1,344	13,050
Sep	431.25	-1.75	433.50	430.50		1,866
Dec	440.25	-1.75	441.50	438.50	77	636
Total					17,594	107,420
H MA	WZE CBT	65,000	bu min	CONTE	56tb b	shet
Dec	329.50	-0.5	331.50	378.75	42,034	205,454
	335.25	-0.25	337.25	334.00	21,837	174,505
May	335.00	_	337.23	\$33.75	2,845	29,435
Jel	331.25	-	334.00	330,25	4,363	44,044
Sag	296.50	+0.75	296.75	285.00	194	6,303
Dec	278.50	+0.5	279.25	277.75	1,910	20,858
Total						451,161
B BA	PALEY LC	E (C pe	r torre	1		
Ros	110.65	-1.10	110.70	110,70	5	506
Jan	114.15	-0.80	114.35	114,20	84	806
Mar	118.50	-0.75	116.35	115.25	75	846
May	119.25	-	-	-	-	201
Sup	107.75	-	-	-	-	-
Nov	110 00	-1,00	-		-	-
Total					164	2,185
M 30	YABEAN	S CBT &	5,000bu	min; coa	04/600 B	ushel)
Mov	669.25	+1.5	672.50	554.50	30,538	57,259

					240	107.75	-	-	-	-	
					Hov	110 00	-1.00	-	-	4.5	_
					Total					164	
					SO	YABEAN	S CBT (5,000bu	min; coc	ts/600 t	Lab.
MYME	42 M	o us	ones. S	demed	Move	669.25				30,538	
			,		Jes	679.50				15,510	
Day's				Open		689 25		692.25			
egevek	High	Low	Val	int	May	683.50		537.00			
+0.11	17,42	17.16	42,995	107,694	Jel	627.00		750.50			
+0.07	17.22	17.03	12,498	52,905	AUG	694,75	+1.75	636.50	632,00		
+0.04	17.12	16.97	2,437	23,184	Total					50,078	177,
+0.03	17.06	16.93	1,111	18.446	■ S0	YABEAN	OIL C	ST (80,0	CODes:	cents/I	6
+0.03	77.00	15.95		13,273			_			_	_
+0.03	16.97	16.82	365	7,874	Bec	26.59	+0.01	28.74	26.51	5,864	
			72,048	331,000	Jen	25.73	+0.02	26.85	25 65		
-			•		Mar	26.97	+0.05	27.12	25.59		
PE (\$/	3351.003				May	21,20	+0.08				5,5
Day's				Open	100	27.32	+0.06	Z7.45	27.25		3,8
change	High	Low	Vol		Atte	27.35	+0.09	27.45	27.32	20	_ 7
+0.11	16.13	15.89	22,864	87.610	Total					2,685	66.3
+0.12	15 96	15.79		37,863	M \$0	YABEAN	MEAL	CET (1	CO tore	S Ston	
+0.07	15.88	15.70			200			200.0	200		-
+0.06	15.77	15.65	468	7.059	Dec	207.9	+0.5	206.6		12,257	
		15.72	481	3,479	Jan	208.8	+0.8	209.4	207.0	3,573	
+0.05	15.75 15.69		170		Mar	200.8	+0.8	210.5	201.9		
+0.04	13.08	15.57		147,329	May	209.1	+0.5	200.8	307.4	1,067	5,3
				40.00	Jul	209.9	+0.9	210.2	208.3	1,507	5,3
. NYME	K (45,00)	0 US 🗩	b.; c/l i\$	Days')	Aug	208.2	-	210.0	208.5	344	. 5
_					Total					22,147	71,3

184.0 280.0 271.5 312.5 380.5

чи.	+0.34	50.00	48.13	10,347	45,131	
50.02	+0.31	50.30	49.80	3,567	37,334	
49.74	+0.13	50.00	49.50	1,233	19,623	
48.84	+0.03	49.20	48.70	524	7,305	
47.69		47,80	47.65	97	3.858	
				26,691	160,100	
Z PI	(5/10mm)	9				
Seti	pley's				Open	
price	chenge	High	Lear	Yol		
49.25	+3.00	149.50	147.00	8.054	36,470	
	+250			5.262	23,307	
49.50	+2.00	149.75	147.75	1,559	21,150	
49.50	+1.75	149,75	148.25	585	6,151	
49.00	+1.75	149.00	148.25	88	3,662	
48.25	+1.50	148.25	147.00	226	1,433	
				12,240	100,623	
AL C	BAS MI	ÆX (10.	000 meni	Btos.; S/m	mBtu.t	
Sett	Day's				Open	
	charge		LOW!	Yel	lut	
1.772	+0.009	1.785	1.755	21,536	11,372	

Sett	Day's	Migh	Low	Yel	Open
•	change	-			
	+0.009	1.785		21,536	
	-0.020	1.82B	1.795		30,215
1.854	-0.020	1.877	1.850	2,181	24,090
	-0.018	1.625	1.805	729	13,064
	-0.018	1.770	1.753	788	9,772
	-0.018	1.705	1.700	420	6.210
1,030	-0,516			33,996	

21.506 21,823 3 25,454 54 21,948 57 8,979 1 3,434 55 6,167 50 8,505 10 72,823 123 6,514 999 11,222 430 5,429 113 2,739 2 433 - 264 867 28,592 136 14,587 175 9,313 264 2,540 14 509 6 312 12465 -1.75 12345 12200 12245 -1.55 124.05 12205 120,79 -2.10 124.75 120.25 121,70 -1.80 121.70 119.75 122.35 -0.85 - -122.35 -0.15 121.00 121.00 1,175 9,313 264 2,540 14 509 6 312 11 58 5,583 27,406 MI NOT PREMIUM RAW SUGAR LCE (cents/fos) +24 349,0 346,0 720 7,608 +42 335,3 330,5 887 13,558 +24 201,3 25,3 427 4,953 +20 395,8 322,5 227 2,007 +17 296,2 291,8 138 2,478 +18 - 716 Stary Jul Oct Star Mary Total +0.25 11.08 10.71 3.715 69.316 +0.21 10.85 10.82 412 10.042 +0.17 10.85 10.45 230 13.115 +0.15 10.85 10.45 251 14.029 +0.13 10.37 10.41 165 7.750 +0.17 10.37 10.30 - 10.47 ■ COTTON NYCE (50,000fbs; cents/fbs) 491 586 259 1,239 1,084 316 4,042 Dec Mar Mey Jul Oct Dec Total 82.55 -1.20 83.70 82.50 4285 24.857 82.50 -1.23 83.50 82.55 1,822 16.846 83.00 -1.11 83.40 82.90 193 7.523 88.00 -1.11 83.40 83.00 889 5.531 78.50 -0.53 78.80 78.40 4 1.325 ■ ORANGE JUICE NYCE (15,000fbs; cents/fbs) 119.45 -0.05 119.60 117.85 1,628 4,784 120.90 -0.55 121.70 119.60 1,805 137.40 123.40 -0.30 123.90 122.55 58 2,704

data supplied by CMS.	May Jul Sep	127 75	-0.30 -0.30	-	-	34 6 20	1,333 533 338	
	Total	123.50	-0.50	12.00	123.00		23,732	
trais tree market, from Metal Builetin, \$ warninguse, unless otherwise stated its in brackets, where charged, Arti-15%, \$ per tonne. 3,200-3,400 (2,600-amputite min. 98,99%, tonne lots 4,00-0-4,10). Cachristum min. 98,95%. 205-210) cents a pound. Gobalte M8	Open	JME DAT I Palarest Eds trad E, CME a	and ind	COM	X NY	MEX,	CBT,	
(205-210) cents a pound. Cobatts Mal tet, 89,6%, 29,95-30.30 (29.70-30.20); 25,60-26,70 (26,10-26,60). Mercusys 99%, 5 per 78 fb flask, 145-165.		CES	ase: 18/	9/31=1	00)			
nume dirummed molybolic codds, 4,45-	Oct 2180		Det 23 2091,9		tb ago 117.2		1 AGO 83,4	
standard min. 65%, \$ per tonne unit O., cd. 62-70. Venedium: min. 98%.	III CRE	Puteres	Base	1967=	100)			
3.10. Uranium: Nuexco exchange 60.	Oct 241.		Oct 20 242.31 lass(: 19		-	year	7 390	

10

+0.5 273.5 272.5

MEAT AND LIVESTOCK III LIVE CATTLE CME (40,000 bs: certs/lbs)

	prior.	theage	High	Low	Wal	int
ct	66,800	+1.150	66,900	65 600	1,198	1,157
86	67,525	+0 175	67.850	67,200	7,329	30,196
pb .	B6.775	+0.125	66.850	66,475	1,936	15,422
Dr.	67,125	+0.075	67,200	B5.900	803	9.188
	63,250	-	63,400	63,175	655	4.015
	87.025	-0.025	62,150	61,900	184	1,661
					12,115	62,148
LV	E HOGS	CME H	0,000	os; cent	s/lbs)	
ct	44,825	-0.025	45.250	44,000	1,297	701
OC	44,800	+0.250	44.925	44,350	3.892	13.031
•	47.125	-0.050	47,250	46 700	1.517	7.501
T.	45,900	+0.075	46.950	46.550	313	2710
	51.850	-0.125	52.075	51 850	246	3.077
4		-0.175			137	1,450
					7,817	
-	ow ora .	-				

Feb	61.775	+0.875	62,000	60.200	2.044	5,837
	61.800	+1.000	61.800	60 000	223	768
May	62,300	+0.900	62,600	60.500	34	209
10	63,000	+0.050	63-125	61.450	17	538
AND	50,000	+0.100	66.800	59 500		47
Total					2.227	7,399

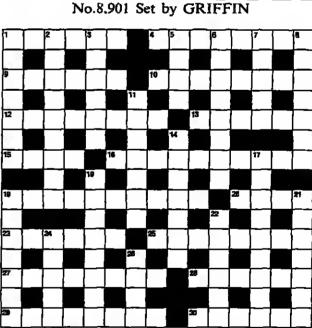
LONDON TRA				
M ALUMINIUM (90.7%) LME	Dec	Feb	Dec	Feb
1650	55 33	100 78	49 77	70 85
1700	10	57	112	124
COPPER Grade A) UME	Dec	Feb	Dec	Feb
2750	70	73	79	122
2850	49 33	55 41	108	153 188
COFFEE LCE	Jan	Mer	Jan	Mar
1600	752 703	714 657	1 2	;
1700	654	821	3	i
COCOA LCE	Dec	Mar	Dec	Mar
075	52	92	:	16

1550 59 1600 27 Jan 75 27

1650	12 27 5	4 82
LONDON SPO	T MARKE	ETS
E CRUPE OF FOR (per	berret/Dec)	4 0 F-
Dubel	\$14.83-4.83z	+0.17
Brent Blend (deted)	\$18.02-6.06	+0.19
Brant Blend (Dec)	\$16.04-6.06	+0.16
W.T.I. (1pm est)	\$17.31-7.332	+0.235
OIL PRODUCTS NWE	prompt delivery (AF (tonne)
Premium Gasoline	\$173-175	+2.5
Gas Oli	\$151-152	+3
Heavy Fuel CII	\$84-86	
Naphthe	\$154-156	+1
Jet Iuel	5 170-172	
Diesel	\$154-157	+3
Petroleum Argus. Tel. Londor	Ø1711 359 8792	
■ OTHER		
Gold (per troy ez)	\$382,4075	-0.35
Silver (per troy ox)	5837.5¢	-4.0
Pletinum (per troy oz.)	\$410.00	-1.10
Pallacium (per troy cz.)	\$134,75	
Copper (US prod.)	Unq.	
Lead (US prod.)	41.75c	
Tin (Kusta Lumpur)	15.35m	-0.02
Tin Maur Vorld	204 50	-10

Lead (US prod.)	41.75c	
Tin (Kusta Lumour)	15.35m	-0.0
Tin (New York)	294,5c	+1.0
Castle (the weight)	127.30p	-0.46
Sheep (tive weight)†4	103.52p	+1.19
Pigs (five weight)	87.56p	-2.23
Lon. day suger (raw)	\$308.6	+0,6
LOOL day sugar (wis)	\$381.5	-0.9
Barley (Eng. feed)	115.25w	+1.0
Malze (US No3 Yellow)	£105.0w	+1.0
Wheat (US Dark North)	Unq	
Rubber (Nov)♥	96.750	
Rubber (Dec)♥	88,750	
Rubber (KL RSS No1)	369.5m	+1.5
Coconuit Oil (Phil)§	\$725.Du	
Pairn Oil (Maley.)§	\$830.D	+2,5
Copra (Phi0\$	461.0y	
Soyabeans (US)	194.0	
Cotton Outlook'A' Index	90.10c	+0.3
Windres Mis Const	447n	-2

CROSSWORD



1 *Oil I dropped and left ln

vehicle (6)

4 *Box teachers are after (8)

9 *Heard why missing guys
must have a way in (6)

10 Caught one engineer bending

line employees (8)

7 I grumble but back her (5)

8 Set off to find Roy's 24 (7)

11 Sleepily but cautiously embracing sweetheart (7)

12 Caught one way in (6) iron guides (8)
12 Modified and hence improved

head (6)

18 I leaving girl around (4)

16 Father and I finish story and redhead becomes kinder (10)

19 Having renovated her stables is puffed out (10)

20 *Western joint (4)

23 For instance, the woman's about 50 stone! (6)

25 Is brown missile let off here?

25 is brown missile let off here? (8) 27 Property inspector very sour if upset (8) 28 Refuse to get turned on by 29 Man in street to obtain small

after island (6)

14 Carry on when salesman returns sister's lost ruler (7) 17 Restrained. 1 scrambled behind it (9) 18 Light ale is brewed around

that place (8) 19 *Supporter passes father leaving (7)
21 In capital city look up star (7)
22 *Cooking is hard (6)
24 ? (5)

26 Managed to grab duck 24 (4) Solution 8.900



INTERNATIONAL CAPITAL MARKETS

Statement by Fed official lifts Treasuries

By Lisa Bransten in New York and James Harding in London

US Treasury prices yesterday recovered some of the losses made on Monday as traders reacted to a statement from a Federal Reserve official wbo said he favoured lower short-term interest rates.

Near midday the benchmark 30-year Treasury was 2 higher at 106% to yield 6.361 per cent. At the sbort end of the maturity spectrum, the two-year note was np is at 100 in, yielding 5.713 per cent.

Mr Alan Blinder, vice-chairman of the Fed, said a soft landing seemed probable with the Fed funds target rate at the current level of 5.75 per cent. But he added that he might support lower interest rates after seeing a final budgetcutting package from Con-

His comments helped the market move up from early lows, in spite of the afternoon Treasuries. In London, futures ■ In the UK, the CBI's thirdauction of \$17.75bn in two-year notes scheduled for mid-afterpoon yesterday.

Often the market declines ahead of an auction, as dealers prepare for the new supply and drive down prices to make yields more attractive to their clients. Today, the Treasury is to auction \$11.5bn in five-year

The dollar also reversed course yesterday and offered some support to bonds by rising against the D-Mark and the

In early trading, the US currency was changing bands at DM1.3872 and Y100.08 compared with DM1.3865 and Y99.85 late on Monday.

■ The sense in both the US and the UK that if interest rates move at all in the next few months, they are more likely to go down, sustained UK gilts as well as lifting US

were firm after a downcast industrial trends survey from the Confederation of British Industry seemed to extinguish any lingering fears of growing

inflationary pressures. The high-yielding markets, notably Italy, clawed back a little of their losses from the previous day, as the Italian lira

GÖVERNMENT BONDS

firmed modestly against the D-Mark

After London closed, European peripheral currencies were further underpinned by comments from Mr Hans Tietmeyer, Bundesbank president, who said that recent foreign exchange movements had been exaggerated and that Germany would consider "sensible international coquarter industrial trends survey showed a substantial fall in business optimism, touching both exporters and domestic producers, who reported falling

Mr Simon Briscoe, UK economist at Nikko, said: "The Bank of England will be bardpressed to whip up inflation worries after this survey. The case has now been made for policy easing over the next year. This is a perfect background for the gilt auction." Some analysts argued that

had there not heen residual anxiety ahead of today's Treasury auction of £3bn of 20-year The assumption yesterday,

gilts would have risen further

however, was that there was little prospect of a repeat of last month's auction when the Bank failed to find enough

The market has been ner-

vous about the auction, but at this sort of level gilts are quite attractive and the market is assuming they will sell all the stock," one analyst said.

On Liffe, the December long gilts future closed up 🛦 at

■ Italian bonds also fared better than they had on Monday, but analysts, who remained ultimately bearish, put this down to profit-taking and expect the yield spread over bunds still to widen further from yesterday's closing level of 585 basis points.

Although a very modest improvement in the strength of the lira fed through to the BTP market, investors remained nervous ahead of tomorrow's motion of no-confidence in the government of Mr Lamberto

In late London trading the December Liffe contract was up 0.51 at 99.45.

S African broker for SBC Warburg

By Antonia Sharpe

SBC Warburg, the investment hanking arm of Swiss Bank Corporation, is to buy JD Anderson & Co (JDA), a firm of South African stockbrokers and a member of the Johannesburg Stock Exchange.

The acquisition, due to be completed on November 8. comes two months after the termination of SBC Warburg's relationship with Ivor Jones. Roy & Co (LJR), South Africa's leading stockbroker.
S.G. Warburg, which SBC

took over earlier this year. had gained exclusive rights in May 1994 to distribute IJR's research on Sonth African companies. It had also agreed to take a large stake in IJR. However, in Angust, 1JR told SBC Warburg it did not want it to assume management control and ended the relationship. Shortly after-wards, IJR began talks with Deutsche Morgan Grenfell, the investment hanking arm of Deutsche Bank

SBC Warhurg declined to say how much it had paid for JDA, but analysts said it could not have heen more than \$10m. Although JDA was wellregarded in South Africa, it was not in the same league as IJR or Martin & Co. which bas a joint venture with Robert Fleming, the UK investment bank, they added.

SBC Warhurg said JDA would be merged into its worldwide securities activities and trade under the SBC Warburg name. SBC Warburg will have 100 people globally dedicated to South Africa, of which 80 will be in Johannesburg. Old Mutual, South Africa's higgest life assurer and mntual fund manager, bas launched an open-ended fund which will offer international institutions access to the South African equity market. | equity, priced at \$19 to \$22. ...

fetches SKr5.9bn into a separate "bad bank"

Nordbanken stake 116

By Christopher Brown-Humes in Stockholm

The Swedish government yesterday received its biggest pay-back since the country's banking crisis when it announced that it had successfully sold a 30 per cent stake in Nordbanken for SKr5.9bn. the top end of its pricing range.

INTERNATIONAL **EQUITY ISSUES**

The offer to international and domestic investors was heavily oversubscribed, helped by the hank's sharp profits recovery, attractive yield and the downward trend in Sweden's long-term interest rates. The sale values the bank, the country's biggest hy market share, at SKr19.8bn (\$2.96bn). Nordbanken was the higgest casualty of Sweden's banking crisis and one of the larges recipients of a SKr65bn state support package designed to keep the banking system

The bank collapsed in 1992 and more than SKr60bn worth of its sour loans, mainly linked to real estate, were hived off

called Securum. Nordbanken was later merged with Gota Bank the other big casualty of the crisis. before staging a recovery that brought a SKr4.8bn operating

profit last year. The sale is the first step in a government strategy to privatise Nordbanken fully, and part of a plan to recoup at least half of the SKr65bn overall bail-out package. The next stage of the sell-off cannot take place for at least six months.

International investors were allotted 50 per cent of the 64.5m shares on offer for SKr92 a share - the top of the SKr77 to SKr92 pricing range, A further 25 per cent was sold to Swedish institutions, and the remainder to Swedish individuals at a discounted price of SKr85 a share.

The shares began trading at SKr95 a share on Seaq Inter-national in London yesterday, reaching a high of SEr99.5 before settling back to trade at SKr95 to SKr96.

Trading on the Stockholm Stock Exchange will begin on November 2. CS First Boston was the global co-ordinator for the transaction

Gucci trades at premium

By Alice Rawsthorn

afloat.

Shares in Gucci, the Italian fashion bouse, rose to an immediate premium over their \$22 flotation price on their first day of trading in New York and Amsterdam yesterday. trading in New York at midsession at \$26%.

The Gncci share issue was heavily oversubscribed in North America and Europe. Investcorp, the Bahrain-based investment group which took control of Gucci in 1993, had intended to sell 16m shares, 30 per cent of the company's

Demand for the shares was so high that Investcorp last week announced it was increasing the number of shares on sale by 8.5m to

It also gave the underwriters an option to take an additional 3.67m shares. Even so, the US tranche of the 24.5m share offer was eight times subscribed and the international tranche was 16 times subscribed.

Investcorp, advised by Morgan Stanley, announced on Monday that the price of the shares would be \$22, at the upper end of its initial range.

804040

Coca-Cola deal taps strong Swiss retail demand

By Richard Lapper and Conner Middelr

A rare issue hy Coca-Cola and further evidence of strong retail demand from Switzerland were the highlights in the eurobond markets yesterday.

INTERNATIONAL BONDS

The \$250m five-year deal for Coca-Cola was the company's first venture into the dollar sector for 10 years and was generally acclaimed by the

market to have been a success. Priced to yield 18 basis points over the equivalent US Treasury, the spread narrowed marginally when the bonds were freed to trade, said syndicate managers at book runner SBC Warburg.

Some 90 per cent of the paper was placed with Swiss retail investors, for whom the issu-

er's rarity value proved to be

an attraction. The issue seems to have worked well. We have had no trouble placing our commitsaid one syndicate member. "Pricing was on the

button," added another. The \$1bn five-year global issue by Ford Motor Credit Co will be priced tomorrow. Market expectations are for pricing to be at the narrower end of a spread of 52 to 55 basis points over Treasuries, Book-runner Goldman Sacbs said 45 per cent of the paper had been placed outside the US.

Pemex, the Mexican stateowned oil company, provided further evidence of increasing investor appetite for Mexican paper with its SFr150m twoyear issue via SBC Warburg. The paper was priced at 320 basis points over Swiss franc Libor and some 95 per cent of the paper was placed with Swiss retail accounts.

NEW INTERNATIONAL BOND ISSUES US DOLLARS (ai/Wi 5yr) Goldman Sachs & Co, +18(Wi 5yr) SBC Warburg +445/51-15-17 (Chemical Investment Bank Nemura International +303(Wi 2yr) Cábank International 0.35R 0.275R 1.00R 2.25 Ford Motor Credit Co. Coca-Cola Co. Nov.2000 0.275R Nov.1997 1.00R Nov.1999 2.25 Oct.1997 undisct. Unibanco Pokka Corp.(b)ф Banco Citibank SWISS FRANCS 4,125 6.00 1.00 Pernex Misawa Homes(c)/p STERLING Nov.2005 0.45R +62(81)-95-05) HSBC Markets 9.00 Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. #Unisted. \(\psi \) \(\psi \) \(\psi \) warrants, \(\psi \) Semi-annual coupon, R: fixed re-offer price; less shown at re-offer level, at Priced today at 52-55-p over Treasuries, b) Fixing: 31/10/95. c) Fixing: 26/10/95. Refixing clause effective Nov.96, 97 & 98; max 30% total.

It is understood that the proceeds were swapped into fixedrate dollars, giving Pemex a dollar funding cost of some 350 basis points over

By contrast, Nafinsa, the state-owned credit and development agency, achieved funding

at just under 400 basis points

over Treasuries when it

swapped the proceeds of its three-year Swiss franc deal two months ago. The European Investment

Bank's long-awaited DM2bn offering of seven-year bonds is set to be launched today at a yield spread of six basis points over the corresponding German government bond. This will be the EIB's largest day at around five basis points.

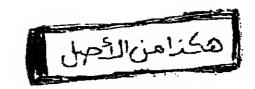
and most tightly priced offering in the D-Mark marker, said a syndicate official at one of the joint leads, CS First Boston and Deutsche Morgan Grenfell. Three weeks ago, the World Bank issued DM3bn of sevenyear bonds priced at nine basis points over bunds. That spread

has narrowed and stood yester-

BENCHMARK	GOVE	RNME	NT BO	NDS				M BUND	UTURES	OPTIONS	LIFFE) DN	250,000 p	aints of 100	96		FT-ACTUARIES	S FIXED	INTERE	ST IND	CES									
	Coupon	Red Date	Price	Day's change	Yleid		Month ago	Strike Price	Nov	Dec CA	LLS	Max	Nov D	PUTS -	Mar	Price Indices UK, Gats	Tue Oct 24	Day's	Mon Oct 23	Accrued interest	xd adj. ytd					dium coupe 24 Oct 23			oupon yield — lot 23 Yr. ago
Australia Australia Beiglium Ganada " Denmark France 8 TAN OAT Germany Bund		07/05 06/05 03/05 12/05 12/05 12/04 04/00 10/05	93,2000 99,2500 96,0500 105,4000 94,1400 103,3750 101,5000 99,9500	+0.050 +0.100 +0.550 +0.180 +0.180 +0.300 +0.010	8.54 6.96 7.08 7.96 7.92 6.84 7.53 6.51	6.30 7.00 7.08 7.57 7.87 6.86 7.56 6.57	8.62 6.83 6.92 8.04 7.54 8.53 7.25 6.48	9550 9600 9650 Est. vol. tot: Italy	IAL ITALL	AN GOVT.	BONO (B	0,66 (day's open		6 1.11	1.18 1.43 1.76 47.11	1 Up to 5 years (22) 2 5-15 years (21) 3 Over 15 years (9) 4 Irredeemables (6) 5 All stocks (58) Index-linked	120.52 145.53 158.22 182.00 139.34	-0.02 -0.03 -0.09 +0.10 -0.04	120,55 143,57 158,37 181,81 -139,39	1.18 1.85 2.59 4.39 1.76	10.32 10.45	5 yrs 15 yrs 20 yrs Irred.†			· *	8.40		8,44	7.81 8.97 3.44 8.07 3.96
freland Italy Jepan No 129 No 174 Notherlands Portugal Spain	6.250 10.500 6.400	10/04 04/05	87.6500 91.5100 119.7850 112.5700 102.8300 103.0600 94.2200	+0.050 +0.310 -0.180 -0.150 +0.010 +0.050 +0.210	8.25	8.23 11.50 1.50 2.71 6.62 11.21 10.88	8.01 10.85 1.70 2.83 6.50 10.95	Dec Mar	Open 99.15 99.05	100ths of Sett price 99.29 98.99 OND (BTP)	+0.35 +0.35	99.62 99.05	Low 98.95 98.90 8 (LIFFE) La	Est. vol 34727 104 a200m 100	Open int. 50934 698 the of 100%	8 Up to 5 years (1) 7 Over S years (11) 8 All stocks (12) Average gross redemption	192.74 183.92 183.99 yekts are show	+0.01 +0.02 +0.02 un abovii, Coup	192,72 183,88 183,96 on Bands Lo	-0.05 0.75 0.73 m: 0%-7%%; b	8.37 4.45 4.54 ledium B ^o	Up to S ym Over 5 ym -10% to High	3.74	3.74	3.94 3.88 d. ytd Year	3.	15 2: 54 3.5		
Sweden Uk Glits US Treasury	6.000 8.000 2.500 9.000 6.500	02/05 12/00 12/05 10/08 08/05	90.3300 101-14 101-29 105-12 103-10	+0.560 +2/32 -1/32 +6/32	9.24 7.85 8.21 8.31 6.05	8.42 7.63 8.15 8.25 5.96	8.27 7.26 7.76 7.85 6.10	Strike Price 9900 9950 10000		Dec 1.50 1.24	LLS M 2.5 2.2 2.0	6	Dec 1,21 1,45 1,71	- PUTS -	Mar 2.51 2.77 3.05	FT FIXED INTE	ERJEST IN		18 Oct 18	Yrago Hk	aht Lox		T EDG		IVITY 1	NDICES	; Oct 19	Oct 18	Oct 17
ECU (French Govt) London closing, "New Yor † Gross (including with) Prices, US, UK in 32nds,	6.875 7.500 ark mid-day holding tax at	08/25 04/05	106-24 98.2700	+8/32 +0.170	6.37 7.75 Yiekts, Li terits)	6.31 7.78 ocal mark	6.46 7.52 let standard.	Spain Norto	i, Colls 406	Puts 5089.	Previous o	ay's open as		2 Pute 44317		Govt. Secs. (UK) 80	2.57 92.57 0.84 110.89 cunties high sino	927\$ 92 111.35 111. 20 complianor: 1	91 92.93 20 111.09 127.40 (9/1/35	90.40 95 107.46 114	.51 90. .86 108.	22 Gitt I 77 5-day	dged bary average ace compta		101.8 89.7 1/1/99 , low	78.3 87.0 50.53 (9/1/75)	83.1 88.8 . Basis 100	88.8 86.4 Government	96.6 . 86.8 Securities 15/10
US INTEREST			Troppum	/ Bills and				Dec Mar	Open 88.07 88.00	Sett price 88.22 87.84	+0.21 +0.16	High 88.36 88.00	Low 88.02 58.00	Est. vol. 33.599 25	Open int. 30,608 18	FT/ISMA INTE	RINATION	AL BON	SERV	CE									

US IN	TEREST	RATES						Dec	Open 88.07	Sett price 88.22	Change +0.21	High 88.36	88.02	Est. vol. 33,599	Open in 30,608
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Prime rate Renter loan	nde	at Ten	month month		5.46 Times	year	5,71 5,77	UK ■ NOTION	AL UK GI	LT FUTURE	S (LIFFE)	250.000 32	nds of 100	%	
Fed.funds .	t intervention.	54 State	1000		5.57 10-yes 5.62 30-yes		5.88 604 6.36		Open	Sett price	-	High	Low	Est. vol	Open Inf
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									LT FUTU	RES OPTIO		250,000 6	4ths of 100	-	300
								Strike		CAL				PUTS	
				_				Price	Nov	Dec		Mar N			Mer
BOND	FUTUR	es and	OPTI	ONS				104	0-50			-00 0			1-50
								105	0			-31 0-1 -06 1-1			2-17 2-56
								Est. vol. lotel	-						- 40
Franc	e ·								•••						
MOTIO	WAL FRENC	H BOND FL	ITURES (MATIF) FF	1500.000			Ecu							
	Open	Sett price	Change	High	Low	Est. vol.	Open att.	ECU BO	ND FUTU	RES (MATTE	ECU100.	.000		<u>.</u>	
Dec	115.06	115.18	+0.24	116.24	115.06	80,797	107,065		Open	Sett price	Change	High	Low	Est. vol.	Open int
Mar Jun	114.66 114.66	114.76 114.78	+0,24 +0,34	114.78 114.88	114.66 114.66	908 198	5.706 1.724	Dec	86.68	86.66	+0.16	86.70	86.60	1,571	8,962
	TERM FREN				114.00	180	1,724								
Strike	1 Class (Inc.)	CAL				PUTS -		us							
Phoe	Nov			Mar	Nov	Dec	Mar	US TREA	SURY BO	WD FUTUR	ES (CET)	\$100,000 3	ands of 100	194	
114		1.60		•	0.03	0.42	1.22		Ореп		Change	High	Low	Est vol	O
115	0.38			1.38	0.17	0.77	1.67		116-12	Sett price 116-25	+0-10	116-27	116-06		Open int
116	0.02			1.95	-	1.26	2.17	Dec Mar	115-12	116-25	+0-09	116-27	115-06	190,621 946	387,532 25,593
117	0.01	0.16).64).35	:	:	:	Jun	115-14	115-31	+0-02	115-31	115-27	47	4.487
118 Fet. vol. to	sal. Calle 18.89				en int., Cadis	145,936 Puts	163,373.								
								Japan							
Germ	200							■ NOTION	M LONG	TERM JAP	ANESE G	OVT. BOW	o entire	2	
	MAL GERM	UN BUND F	UTURES ((LIFFE)* D	M250,000 16	00ths of 10	1%			ths of 1009					
	Open	Sett price	Change	High	Low	Est. vol	Open int.		Open	Close	Change	High	Low	Est. vol	Open Int.
Dec	95.87	95.99	+0.02	96,12	95.95	78457	197300	Dec	120.40	-	-	120.50	120.14	3069	0
Mar	95.45	95.40	+0.02	95,46	95.40	428	5021	Mar	118.38			118.38	119.05	440	0
								· LIFFE Mure	aco was	sa an API. Al	Opon inte	rest Pgs. art	KOT PREVIOUS	осу	
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Primer risks 54. Test month 5.46 Three year	NOTIONAL UK GELT FUTURES (LIFFE) 250,000 32nds of 100%	Issued Bid Offer Chg. Yield toward Bid Offer Chg. Yield Issued Bid Offer Chg. Yield Issued Bid Offer Chg. Yield
Broker loan rule	Open Sett price Change High Low Est. vol Open Int.	U.S. DOLLAR STRAIGHTS Sweden 8 97 2500 1063a 10652
Feed hunds at intervention . One year	Dec 104-25 104-25 +0-02 105-01 104-22 40548 103839	Abbey Ned Tressury S 97 1000 984 984 6.03 United Airquiom 71/2 97 5500 1047/2 105 4.53 Alliance Leica 117/2 97 £ 100 1057/2 105 7.31
	Mar • 104-07 +0-02 • • 0 360	Abbey Netl Treasury 61/2 00 1000 991/2 995/2 +1/2 860 Volkswagen Intl Pin 7 03 1000 1011/2 1/3 6.75 Bitter Land 81/2 21 150 867/2 901/3 +1/4 1020 ABN Ambro Bank 71/4 05 1000 1001/4 104 +1/2 683 World Bank 0 15 2000 275/2 291/4 484 December 61/2 9 C
	LONG GILT FUTURIES OPTIONS (LIFFE) \$50,000 64ths of 100%	ABN Ambro Bank 74 05 1000 10034 104 +12 683 World Bank 0 15 2000 2572 2613 -14 6.94 Denmark 614 39 5 800 98 9814 7.55 Altean Dev Bik 712 23 500 100213 10055 +14 7.19 World Bank 574 03 3000 96 9613 8.53 888 8.03 5 1000 9772 2014 9.57
	Strike CALLS PUTS	Alberta Province 75 98 1000 1001 1012 1012 6.05 Hallow 1013 97 2 100 1037 1044 7.21
	Price Nov Dec Jan Mar Nov Dec Jan Mer	Austra 8/2 00 400 108/2 10894 +12 219 SIMSS FRANC STRAIGHTS Hencon 107/2 07/2 400 108/2 108/2 219
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	105 0 0-53 0-58 1-31 0-14 1-03 1-44 2-17 106 0 0-28 0-36 1-06 1-14 1-42 2-22 2-56	20 1034 105 14 5 400 1074 1075 1 961
	Est. vol. loted, Calls 1971 Puto 2251. Previous tay's open int., Calls 41198 Puto 32945	Reference 10 100 001 01 1 020 000 100 1000 1000
France		902 74 87 150 1024 10312 6.04 EB 64, 04 300 11314 114 44 4.89 Online 1116 (115 110)
■ NOTIONAL FRENCH BOND FUTURES (MATIF) FF:500,000	Ecu	300 113 1134 3.05 Powergen 87, 03 £ 250 1003 101 4.75
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Dec 115.06 115.18 +0.24 116.24 115.06 80,797 107,065	Open Sett price Change High Low Est. vol. Open int.	Change King Fin 5½ 88 000 95½ 96 +½ 7.30 Kida 6½ 01 200 131½ 12½ 400 1792 55 nJ, no street
Mar 114.66 114.76 +0.24 114.78 114.66 908 5,706	Dec 86.68 86.66 +0.16 86.70 86.60 1.571 8.982	Chang 6/2 04 1000 95% 95% 7.31 Chance 6/4 03 400 110 ¹ / ₄ 111 4.55 World Bank 12 ¹ / ₂ 97 N/25 50 110 ² / ₂ 110 ² / ₂ - 207
Jun 114.66 114.78 +0.34 114.88 114.66 198 1,724		100 89 100 42 5.11 Credit Local 6 01 Fer 7000 041 11 700
LONG TERM FRENCH BOND OPTIONS (MATIF)		450 1174 118 41g 480 Bec de France 84 27 FFF 3000 104 1043 15 878
Strike CALLS PUTS	US	ESSC 84, 96 193 1025 1025 5.95 World Bank 0.21 700 365 27/4 5.18
Price Nov Dec Mar Nov Dec Mar	■ US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%	500 974 9712 +16 543 World Bank 7 01 000 1147 1155 +16 387 BLOATING RATE MOTOR
114 - 1.80 - 0.03 0.42 1.22 115 0.33 0.94 1.38 0.17 0.77 1.67	Open Sett price Change High Low Est vol. Open int.	HB 94 97
115 0.38 0.94 1.38 0.17 0.77 1.67 116 0.02 0.47 0.95 - 1.26 2.17	Dec 116-12 116-25 +0-10 116-27 116-06 190,621 387,532	Early Day, No. of the Street S
117 0.01 0.18 0.64	Mar 115-31 118-13 +0-09 116-16 115-27 946 25.593	Export Day Corp 8/2 98 150 1084 1085 +1 6.09 Cords Forcier 44 02 75000 1111 11115 14 202 Barriamenta 1 89 750 90 77 90 80 600000
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Est. vol. total, Calle 18,896 Puts 24,803 . Previous day's open int., Calls 145,996 Puts 163,373.		Februari AD 19 1000 100-9 100 5.48 Ex-fin Bank Japan 43 03 105000 110 1104 1, 2.94 EX-C2 -0.02 95
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CURRENCIES AND MONEY

MARKETS REPORT

Tietmeyer signals dollar will not be abandoned

By Philip Gawith

Mr Hans Tietmeyer, president of the Bundesbank, yesterday injected some late life into otherwise quiet foreign exchanges when he raised the prospect of renewed central bank interven-

Although not mentioned by name, the markets took this to be a reference to the dollar, which immediately gained 30 basis pointe against the D-Mark. Speaking at the 100th anniversary celebrations of DG Bank in Frankfurt, Mr Tietmeyer said: "We are willing to participate in sensible international co-operation in the fnture. Benign neglect was never our policy."

The dollar was trading at

DM1.3950 after Mr Tietmeyer's comments, having earlier closed in London at DM1.387. Against the yen, it had risen to Y100.4 from the earlier close of . ¥100.175.

The dollar was slightly firmer even before Mr Tiet-

meyer spoke, and with the D-Mark rally temporarily D-Mark halted, this allowed some breathing space to European crosses that had been under pressure. The French franc was the main beneficiary, closing at FFr3.513, from FFr3.527, against the D-Mark

The lira closed slightly firmer at L1.165, from L1,167, hut opinion remains very gloomy about the ontcome of the no-confidence vote in the Dini government, with the vote due tomorrow. The Canadian dollar had a

more stable day, finishing at C\$1.3703, from C\$1.3683, against the US dollar, but nerves remain on edge about the outcome of next Monday's referendum on whether Quebec should separate from Canada.

- Prev close --1.5790 1.5778 1.5758 1.5642 ...- Latest...... 1.5795 1.5784 1.5764

Sterling had a quiet day, closing at DM2.1936, from DM2.1899, and at \$1.5815 from \$1.581.

The impact of Mr Tietstered by simultaneous comments from Mr Edgar Meister. 6 Bundeshank directorate memher, about the German repo rate. Commenting on the fact that the repo had recently become stuck at 4.03 per cent in the weekly bidding auctions. he noted that "In the end. banks' bidding behaviour also help determine how far the

In the past, such comments have often been taken by the market as a signal to bid the repo rate down. Confirmation of further downward momentum in German interest rates is one factor likely to lend some support to the dollar Mr Tony Norfield, UK trea-

sury economist at ABN AMRO

in London, said with the mar-

ket still fairly bearish on the

repo rate declines."

Against the Yen (V per DM)

1995

dollar, while US budget negotiations remained unresolved, the climate for intervention to support the dollar was probably not right.

Even the threat of intervention, however, is probably sufficient to keep the market in check. The backdrop to Mr Tietmeyer's comments is that the dollar is close to historic lows of SFr1.1110 against the

Swiss franc, and DM1,3450 against the D-Mark, although much firmer against the yen

and on a trade weighted basis.
"This is damage limitation on the part of the Bundesbank as regards the dollar, but the overriding issue remains Europe," said Mr Norfield. He said the Bundesbank faced the paradox that while it probably wanted a stronger dollar after all, it bought the dollar publicly at DM1.46 on August 15 - the effect of its efforts to stress the need for a strict approach to EMU, was to bol-

ster the D-Mark. Mr Norfield said that if the Bundeebank was forced to choose between a strong dollar, or tying up with the lira, it would choose the latter.

■ The Franco-German summit today has the potential to bolster the French franc, if it can produce a plausible bilateral expression of commitment in favour of the Franc's participation in EMU. More important

for the markets, however, will be the outcome of the no-confidence vote in Italy. Mr Paul Lambert, currency

analyst at UBS in London, said that if Mr Dini was defeated, making an early election likely, the lira would come under further pressure. "You could not rule out a move to L1,200 and beyond," be said. Mr Peter Luxton, analyst at MMS in London, said markets had become too sanguine over the summer about Italy. Recent events had served as a reminder "that politics is still a

■ The Bank of England pro vided £914m essistance towards clearing a money market shortage of £1.05bn.

very hig risk in Italy."

Oct 24	2	5
Crech Rp	40.9795 · 41.0292	25.9200 · 25.935
Hungary	205.657 · 205.866	130.080 · 130.13
tan	4746.00 - 4743.00	3000.00 - 3000 0
Kewali	0.4734 - 0.4744	0.2994 - 0.2099
Poland	3.8434 - 3.8498	24316 - 24335
Aposia	7128.49 - 7127.15	4506.00 · 4508.0
UAE.	5,8067 - 5,8110	3.6726 - 3.6732

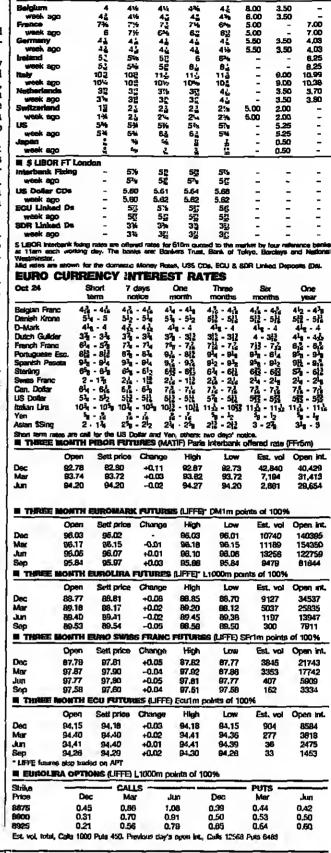
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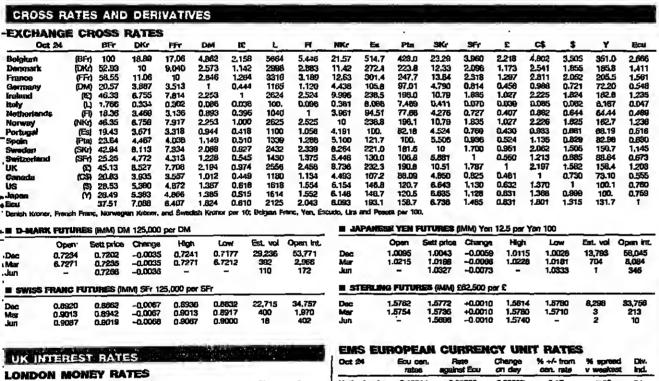
Oct 24		Clasing	Change	Bid/offer	THEP	Mid		- all-	****		2-1		D
·		mid-point	on day	spread	high	low	One mo	%PA	Three In	%PA	One y		Bank of Eng. Inde
Europe								_					
Austria	(Schi)		+0.0271		15.4B21	15.3698	15.4078	2.4	15.349	2.3			107,8
Belgium	(BFr)		+0.0823	917 - 582		45.0320	45.03	2.5	44.84	2.5	44,105	2.3	110.7
Denmark	(DKr)		+0.0035	218 - 317	8.5527	6.5078	8.5181	1.1	8.5025	1.1	8.44		110,8
Fintand	(FM)		~0.0011	264 - 385	6.6630	6.5900	6.6281	8.0	S.62	0.8	•		88.5
France	(FFr)		-0.017	037 - 118	7,7396	7.7029	7.7147	-1.1	7.7203	-0.6	7,7149	-0.1	109.5
Germany	(DM)		+0.0037		2,2013	2.1870	2.1885	2.B	2.1791	2.7	2,1381		113.8
Greece	(Dr)	363.429	+0.431		364.544	362.500		-		-			67.5
treignd	(12)	0.9739	-0.0014		0 9757	0.8729	0 9731	1.0	0.9718	0.8	0.9686	0.5	87.3
Italy	(L)	2556.42	-0.81	442 - 941	2581.51	2548.50	2563.S7	-34	2579,57	-3.5	2646,72	-3.5	68.4
Lineampourg	(LFr)	46.1250	+0.0823	817 - 582	45,2760	45.0320	45.03	2.5	44.84	2.5	44,105	2.3	110.7
Nethorlands	(FI)	2.4575	+0.0052	559 - 5 9 1	2,4656	2.4504	2.451	3.1	2.4401	2.8	2.3939	2.6	110.7
- Morway	(NKr)		-0.0071	303 - 412	8.7753	9.6734	6.7234	1.5	9.7016	1.4	8.625	1.1	99.4
Portugal	(Es)	232.291	+0.24	138 - 443	232.957	231.083	232,831	-2.8	234.051	-3.0		-	95.7
Spain	(Pta)	190,895	+0.377	764 - 027	191.307	190.394	191.395	-3.1	192,335	-3.0	196.735	-3,1	81.5
Sweden	(SKr)	10.5052	-0.0795	959 - 144	10.5814	10.4842	10.5074	-0.3	10.512	~0.8	10.5353	-0.3	85.2
Switzerland	(SFr)	1.7973	+0.007	859 - 886	1.7919	1.777S	1.7802	4.8	1.7684	4.2	1,7154	4.0	116.5
UK	Ø	-	-		-			-		-		-	83.6
Ecu	-	1.2026	-0.002	017 - 034	1.2052	1.1987	1.2015	1.1	1,1992	1.1	1,1899	1,1	
SDRT	-	1.04679		-				-					
Americas													
Argentina	(Peso)	1.5813	+0.0005	807 - 818	1,5830	1.5759	-	-		-		-	-
- Brazil	(F35)	1,5202	+0.0007	193 - 211	1.5216	1.5144	-	-	-		-	-	
,Canada	(CS)	2.1671	+0.0039	660 - 681	2.1930	2,1813	2.1662	0.5	2,166	0.2	2.1711	-0.2	83.2
	Pesci	10.6910	-0.1376	797 - 022	10,7026	10.6596		-		-		-	
USA	(5)	1.5615	+0.0005	810 - 820	1.5832	1,5759	1.5803	2.0	1,5782	0.6	1.5673	0.9	92,6
Pacific/Middle													
Australia.	(AS)	2.1185	+0.0055	165 - 204	2.1207	2.1152	2.1198	-0.7	2.1227	-0.8	2.1374	~0.8	94.9
.Hong Kong	(PHKS)	12.2265	+0.005	238 - 331	12.2408	12,1869	12.225	0.3	12,2128	0.5	12.179	0.4	
India	(Ps)	56.2224	+0.0178	255 ~ 192	56.3200	55.6930		-		•		-	
*Israel	(Shk)	4.7781	+0.0319	726 - 835	4.7838	4.7380	-	-				-	
*Japan	M	158.427	-0.809	337 - 515	156,520	157,250	157,512	6.9	155.902	6.4	148.977	6.0	142.6
Meleysia	(MS)	3.9889	+0.0118	868 - 909	3,9913	3.8702	-	-		-		-	-
New Zealand	(NZS)	2.3990	+0.0077	969 - 010	2,4020	2.3961	2.4049	-3.0	2,4142	-25	2,4356	-1.7	100.9
Philippines	(Peso)	41.0668	+0.0082	459 - 877	41.1030	40,9890	-	-				-	
Saudi Arabia	(SR)	5.9315	+0.0018	294 - 335	5.9373	5.9106	-	-					-
Singapore	(35)	2.2370	+0.0034	355 - 385	2,2402	2.2312	-	-		-		-	
South Alnes	870	5.7477	+0.0019	450 - 503	5.7533	3,7323				-		-	
South Korea	(Won)	1211.03	-0,85	057 - 150	1212,26			-		_			
Taiwan	(T3)	42,5859	-0.011	621 - 096	42.6213			-	-				
Thailand	(Br)	39,6324		941 - 607	39.6700						-		

Oct 24		Closing	Change	Bid/offer		s mid	One mo		Three m		One 3		J.P Morgan
		mid-point	on day	apreed	high	_ low	Rate	%PA	Rate	%PA	Rate	%PA	Index
Ешоре													
Austria	(Sch)		-0.014		9.8050								
Belgium	(BFr)			210 - 450		28.5100							
Denmark	(DKs)		+0.0005		5.4180								
Finiand	(FM)			913 - 963	4.2248		4.1934	0.1			4.1876		
France	(FFr)			727 - 747	4.9044								
Germany	(DM)		-0.0019		1.3936								
Greece	(Dr)			740 - 860		229.380							
ireland	(31)		+0.0029		1.6255		1.624				1.6306	6 -04	-
italy	(1)			4 4	1821.58	1818.16	1623.2	-5.0	1635,25	-4.7	1692.45	5 -4.7	67.8
Luxembourg	(LFr)			210 - 450		28.5100	28.492	1.7	28.413	1.7	28.113	3 1.5	110.2
Netherlands	(Fi)		+0.0028		1.5615	1.5509	1.5513	2.0	1,5452		1,5262	2 1.8	110.0
Norway	(NKr)	6.1560	+0.0025	545 - 575	6.1877		6.1522	0.7			6.136	B 0.3	98.7
Portugal	(Es)		+0.105	830 - 930	147.600	146,150	147,345	-3.8	148,355	-4.0	152.98	8 -12	95.9
Spain	(Pta)		+0.2		121.230	120,320	121.085				125.35		
Sweden	(SKr)		~0.0524	388 - 463	a7094	6.6333	6.6601	-3.2			6.8651		
Switzerland	(SFr)		+0.004		1,1354		1.1265	3.8			1.0926		
K	(2)			810 - 820	1.5832		1,5903	0.9			1.5673		
eu		1,3151		146 - 156	1 3179		1.3156		1.3162		1.3185		
DRT	-	0.66295									1		-
Americas													
Arthred P	(Pesc)	0.9999		998 - 999	1.0000	0.9998		-			,		
inzi	(AS)	0.9613	-0.0002		0.9618			-	_		_		
Canada	(CS)				1.3790		1,3708	-0.4	1.3721	-0.5	1.3623	9 -0.9	82.4
	v Pesol	6.7600			6.7650		6,7622	-0.4	6.7654		8.7703		
ASI	(5)	0.7000	-0.000	200 - 000	0.1004	0.7000	0,7024	-0.4	0.1004	~4.3	D.I I Low	, -02	93.4
Pacific/Middle			-		-		-		_	-			83.4
Austrelia Austrelia	(AS)	1.3394	-0.003	387 - 403	1,3422	• 9776	1.3412	10	4 9449		4 904		05.0
								-1.8	1,3448		1.3645		85.8
Hong Kong	(I-TICZE)	7.7322		817 - 327	7.7330		7.7337	-02	7,7357		7.7559		
nnia	(Pis)	35.5500				35,3000	35.7	-5.1	35.005	-5.1	37,475	5 -5.4	
sreel	(Shk)			197 - 237	3.0250				20.00				
Japan	3	100.176				99.8500	99.68	5.9	96.78		94,885		143.8
Maleysia	(M\$)	2.5222			2,5245		2,52?2	0.0	2.5226		2.5302		
New Zeeland	(NZS)	1,5188			1.5205		1.5209	~3.2	1.5284	-3.1	1.5531	1 -2.4	
Philippines	(Paso)	25,9670				25.9620		-					
Saudi Arabia	(SR)	3,7506		504 - 507	3.7508		3,7511	-0.2	3,752		3.7551		-
Singapore	(53)	1,4145	+0.0017	140 - 150	1,4190	1,4136	1,4111	2,9	1.4048		1.38	2,4	
South Atrice	(FQ	3.6343		33B - 348	3.6385		3.6596	-8.3	3.7098		3.9408		
South Korea	(Won)	765.750		700 - 800		765,300	768.75	-4.7	772.25		790.75	-3.3	
Tahwari	(73)	26,9275	-0.0155	210 - 340	26,9700	25,8200	26,9475	-0.8	26.9875				
Thalland	(80)	25,0000		500 - 700	25,0870		25,1475	-42	24,795	4.2	26.015	-3.8	
SDR rate per S	1-7												



WORLD INTEREST RATES

MONEY RATES



UK INTER	EST	RAT	ES		1. 1.1.4.		
LONDON N	ON	EY RA	TES				
Oct 24		Over-	7 days	Orve	Three	5tx	One
		night	notice	month	months	months	year
interbank Starling	7	2 - 63	612 - 612	6日 - 6年	6년 - 6년	64 - 64	612 - 613
Sterling CDs		•	-	631 - 615	63 - 63	64 - 61	633 - 633
Treasury Bills		-	-	658 - 676	613 - 613		-
Bank Bilts				Bag Bris	659 - 676	65 616	-7 -07
Local authority dep		5g − 612	$6_{16} - 6_{16}^{7}$	61 - 616	634 - 658	6월 - 6월	6% - 6%,
Discount Market d	ере 7	1 ₄ - 61 ₂	6 ₁₆ - 6 ¹ 2	•		-	•
JK cleaning bank i	wana la	ndino rate	6% per ce	ent from Fe	bruary 2. 19	195	
or stocking wast.		-	Lio to 1	1-3	3-6	6 -9	B-12
			month	month	months	months	months
Certs of Tax dep. Certs of Tax dep. un	der £10	0,000 ts 21	3 2pc. Deposis ECGD fixed	53, withdrawn rate SUS, E4	5% for cash 1%p port Finance.	A Mayba up day	6 ¹ 4 Sep 28.
Certs of Tax dep. un lvs. tender rate of d	der E10 Incount	0,000 is 2 ¹ 6,5715pc	ECGD fixed	withdrawn rate Stig. Eq.	for cash 14p port Finance.	sc. Mayle up day Mayle Refer	Sep 29.
Certs of Tax dep. un Ava. lender rate of d 1995. Agraed rate to period Sep 1, 1995 t Certoher 1, 1995	der E10 lecount period o Sep 2	0,000 is 2 ¹ 6,5715pc. Oct 25, 1 9, 1895, S	200. Deposit ECGD fixed 195 to Nov 2: charres IV &	withdrawn rate Stig. E4 5. 1995, Sch V 8.795pc. I	for cash 114p port Finance. emed 8 & 9 & Finance Hous	ic. Majka up day 1,04ps. Refer o Bose Rato	Sep 29, ance rate for 7pc from
Certs of Tax dep. un Ava. lender rate of d 1995. Agraed rate to period Sep 1, 1995 t Certoher 1, 1995	der E10 lecount period o Sep 2	0,000 is 2 ¹ 6,5715pc. Oct 25, 1 9, 1895, S	200. Deposit ECGD fixed 195 to Nov 2: charres IV &	withdrawn rate Stig. E4 5. 1995, Sch V 8.795pc. I	for cash 114p port Finance. emed 8 & 9 & Finance Hous	ic. Majka up day 1,04ps. Refer o Bose Rato	Sep 29, ance rate for 7pc from
Certs of Tax dep. un Ave. tender rate of di 1995. Agreed rate to buried Sep 1, 1995 t	der E10 lepount period o Sep 2	0,000 is 2 ¹ 6,5715pc. Oct 25, 1 9, 1895, S	200. Deposit ECGD fixed 195 to Nov 2: charres IV &	withdrawn rate Stig. E4 5. 1995, Sch V 8.795pc. I	for cash 11 ₆ p port Finance. erred 8 & til 6 Finance Hous 00,000 poir 1.0w	AL Make up day LOTPO. Refer to Bree Fato this of 1009e Est. Vol	Sap 28, ance rate for 7pc from
Certs of Taxt dep. un lym. tender rate of d 1995. Agreed rass to certed Sep 1, 1995 to October 1, 1995 THIRLE MONTH	der E10 lecount period o Sep 2	0,000 is 2 ¹ 8,5715pc. Oct 25, 1(9, 1895, S	200. Deposit FCGD fixed 195 to Nov 2: chames IV &	wigndrawn rate Stig. E4 5. 1996, Sch v 8.795pc. I (LIFPE) £5	for cash 11 ₄ p port Finance. erred 8 & til 6 Finance Hous 00,000 poir 1.0w 93.23	Make up day LOtpo. Refer to Bree Fato the of 100% Est. vol. 15735	Sap 29, ance rate for 7pc from Open int. 90332
Certs of Tast dep. un lum. Lander rate of di 1995. Agreed man to puriod Sep 1, 1995 t October 1, 1995 THERMÉE MODITI Ope Dec 93.2	der E10 lecount r period o Sep 2 THI STT ST	0,000 is 2 ¹ 6,5715pc. 1 Oct 25, 16 9, 1895, 5 ERLERO Bett price	200. Deposit ECGD fixed 195 to Nov 2: chemis IV & FUTURIES Change	withdrawn rate SUG. E4 5. 1995, Sch v 6.795pc. I (LIFPE) 25 High	for each 11sp port Finance. emed 8 th 6 Finance House 00,000 point 1.cm; 93.23 93.30	Marke up city 3.04pc. Refere e Beste Fato its of 1009e Est. vol 15735 20369	Sep 29. ance rate for 7pc from Open ins. 90332 81818
Certs of Taxt dep. un two. sender rate of di 1995. Agreed rest to period Sep 1, 1995 to October 1, 1995 to THERESE MODIFI Opec 93.2 Mar 93.3	der E10 lecount r period o Sep 2 rel Set en S	0,000 is 2 ¹ 8.57150c. Oct 25, 16 9, 1895, S ERLESC Sett price 93.24	200. Deposit ECGD fixed 195 to Nov 2: chemis IV & FUTURIES Change +0.01	withdrawn rate Stig. E4 5. 1996, Sch v 8.795pc. I (LIFFE) £5 High 93.26 93.38 93.32	for cash 1 lep port Finance. emed II & III if Finance House 00,000 poir Low 93.23 93.30 93.23	Make up day 1.04pa. Relent o Bose Rate hts of 100% Est. vol. 15735 20369 16076	Sep 29, and rate for 7pc from Open trs. 90332 81818 ,43624
Ceres of Tax dep. un twn. tender rate of di 1995, Agned reas to seried Sep 1, 1996 r October 1, 1995 r THERES INOTE Cec 932 Mary 933 Jun 932	der E10 lepount r period o Sep 2 mil STT ST 24	0,000 is 2 ¹ 8.5715pc. Oct 25, 1/ 9, 1895, S GRILBRO Sett price 93.24 93.34	200. Deposit FCGD freed 195 to Nov 2: chemes IV & FUTURES Change +0.01 +0.04	withdrawn rate Stig. E4 5, 1995, Sch v 6,795pc. I (LIFFE) £5 High 93,26 93,32 93,13	for cash 114pport Finance. emes 8 & th 6 Finance House 00,000 point Low 93.23 93.23 93.23 93.23	Est. vol. 15735 20369 16076 5836	Sep 29, maio rate for 7pc from 17st, 90332 81818 43624 34140
Cents of Tax dep. un tra. tender rate of d 1995. Agreed mas to beried Sep 1. 1995 n Decker 1. 1995 n THERESE 1800 N Open Decker 93.2 Mar 93.3 Aun 93.2	der Eto Incount r period o Sep 2 THI STT 24 31 24 36	0,000 is 2 ¹ 6,5715pc, 10 ct 25, 11 9, 1895, 6 EPILENC 93,24 93,34 93,25 93,26 93,26 93,26 93,26	20c. Deposit FCGD fixed 195 to Nov 2: chemes IV & FUTURES Change +0.01 +0.04 +0.02 +0.02 -0.02	withdrawn rate Stig. Est 5, 1995, Sch V 6,795pc. I (LIFFE) £5 High 93,26 93,38 93,32 93,13 82,81	tor cash 114pport Finance. sorned 8 & th 4 Finance House 00,000 point Low 93.23 93.30 93.23 92.83	Make up day 1.04pa. Relent o Bose Rate hts of 100% Est. vol. 15735 20369 16076	Sep 29, and rate for 7pc from Open trs. 90332 81818 ,43624
Cents of Tax dep. un tra. tender rate of d 1995. Agreed mas to beried Sep 1. 1995 n Decker 1. 1995 n THERESE 1800 N Open Decker 93.2 Mar 93.3 Aun 93.2	der Eto Incount r period o Sep 2 THI STT 24 31 24 36	0,000 is 2 ¹ 6,5715pc, 10 ct 25, 11 9, 1895, 6 EPILENC 93,24 93,34 93,25 93,26 93,26 93,26 93,26	20c. Deposit FCGD fixed 195 to Nov 2: chemes IV & FUTURES Change +0.01 +0.04 +0.02 +0.02 -0.02	withdrawn rate Stig. Est 5, 1995, Sch V 6,795pc. I (LIFFE) £5 High 93,26 93,38 93,32 93,13 82,81	tor cash 114pport Finance. sorned 8 & th 4 Finance House 00,000 point Low 93.23 93.30 93.23 92.83	Est. vol. 15735 20369 16076 5836	Sep 29, maio rate for 7pc from 17s. 90332 81818 43624 34140
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Germany	1.91007		6D49	+0.00298	-2.80	6.89	
Austria Denreerk	13.4383 7.28580		1930 3366	+0.0208	-2.57 -0.72	6.86 4.87	16 5
Speki	162,493		.778	+0.213	-0.44	4.58	
Portugal	195.792		.005	+0.085	0.62	3.48	
France	5.40808	6.5	4385	-0.02575	2.15	1.93	-10
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PETROLEO BRASILEIRO S.A. - PETROBRAS ANNOUNCEMENT OF DELAY **EDICT NR 101.0.005.095.0**

Subject: Seismic Survey Marine 2D and 3D in Brazilian continental shelf. Delay: We are delaying the reception of the bid to November 14th, 1995 at some Mace.

Consultation Acquisition: República do Chile Avenue, 65. 11th Floor, Room 1104 - Down Town, Rio de Janeiro, Brazil. Edict acquisition price: RS35,00

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FINANCIAL TIMES

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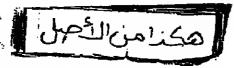
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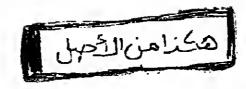
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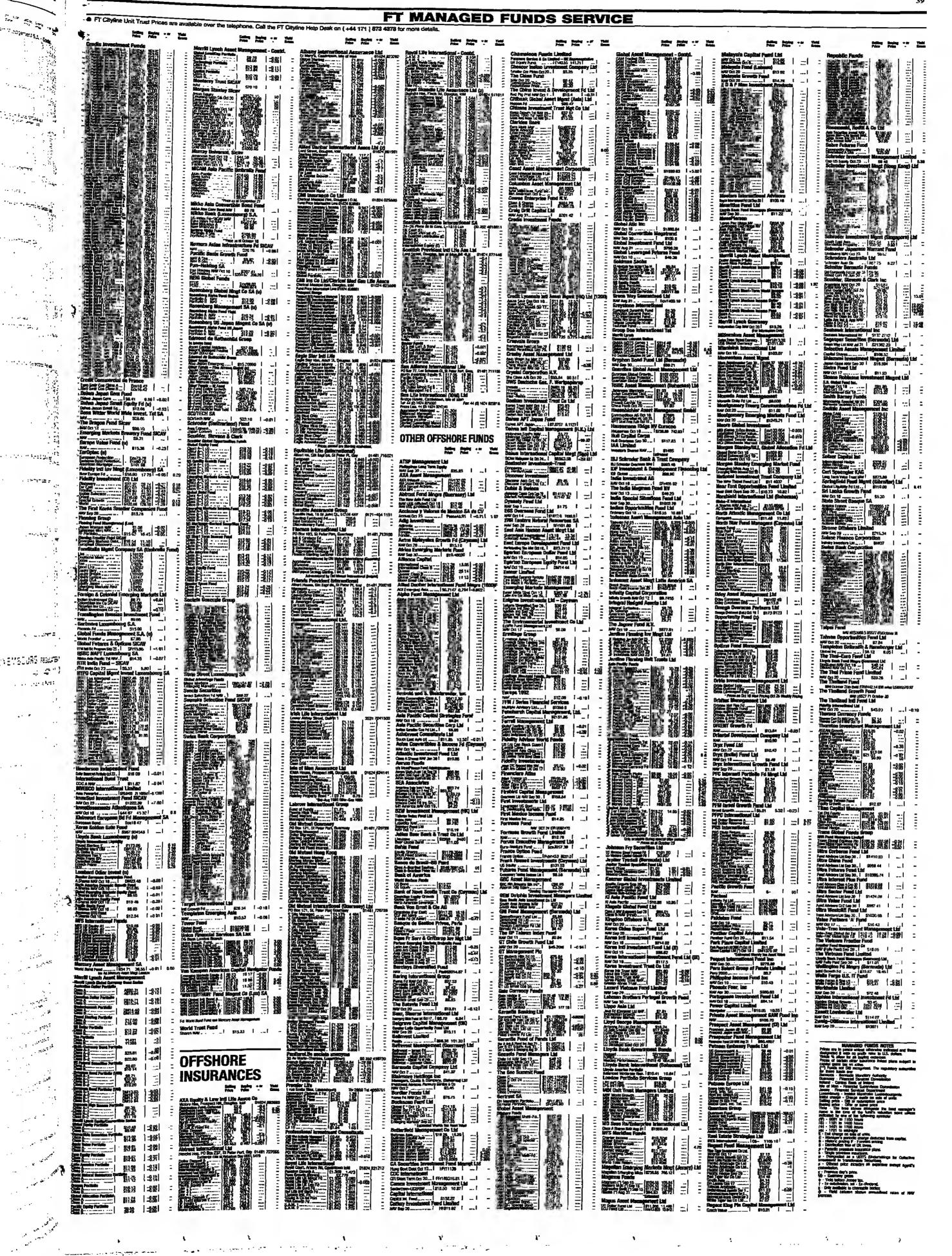
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LONDON STOCK EXCHANGE

Shares rise modestly ahead of gilt auction

By Philip Coggan, Markets Editor

A return to relative calm on the foreign exchange markets allowed shares in London to recover some of their poise and the FT-SE 100 index ended its three-day losing streak.

But the markets seemed reluctant to move decisively before the result of today's £3bn gilt auction became clear. Throughout the day the Footsie moved only within a narrow 14point range.

The Confederation of British Industry's quarterly trends survey showed clear signs of a slowdown in the economy, with levels of optimism, output, new orders and

exports all falling. But the survey appeared to have little effect on equities, and even gilts, which might have been expected to henefit from news of an economic slowdown, were flat on the day.

"In normal circumstances that CBI survey would have had people saying that interest rates bave peaked," said Mr Mark Tinker, UK analyst at broker James Capel. "But the gilt market is nervous ahead of the auction in view of the problems last time.

Mr Michael Saunders, UK economist at Salomon Brothers, said: "The authorities are unlikely to cut base rates in the next month or two. Nevertheless, the case for lower

hase rates in early 1996 is gathering force. By that stage, the economy is likely to have slowed further, price data will be improving and, we suspect, lead guides, such as business confidence, will remain downbeat."

Wall Street's weakness, with the Dow Jones industrial Average dropping nearly 40 points on Monday. bardly set a positive tone for the start of trading. Within five minutes of the opening, the Footsie was at its worst for the day, down 4.7 points at 3,526.8.

But with the dollar regaining some ground against the D-Mark. stock markets across Europe, which fell sharply on Monday, managed to stabilise. Two hours after the open-

ing, the Footsie reached its hest rumours which inspired the market level, up 8.9 points at 3.540.4.

For much of the rest of the day. however, the London market at NatWest Securities, points out appeared to drift and even a rebound on Wall Street, where the Dow was around 13 points ahead at the close of London trading, failed to inspire.

At the close, the Footsie was 3.8 points higher at 3,535.3, while the Mid 250 index closed 7.7 points lower at 3,904.8. The junior index was hit by the performance of T&N. which suffered in the wake of a US court case, and McKechnie, which warned of a slowdown in demand. Once again, there was no news on

the bid froot, after the multitude of

ant mortgage market in Hong

Kong and a soft landing for the

Chinese economy. Standard,

which was only 250p a share in

February, added 14 at 499p.

while HSBC rose 61/2 to 9391/ap

National Westminster Bank

However, Royal Bank of

Scotland fell 7 to 517p in reac-

tion to an agency cross of 5m

sbares carried out by Credit

Lyonnais Laing late on Mon-

day at 51Sp a share. Merrill Lynch trimmed profit

estimates for building materi-

als leader Wolseley following

the group's results statement.

but upgraded its stance on the

sector as a whole.

The hroker expects a creep-

ing rerating for building mate-

rials shares and has moved to

overweight. It is looking for

near term recovery in Europe

and resilience in the US; and

bounced 141/2 to 6511/2p after a

brief period of weakness.

in the ordinaries.

ever, Mr Boh Semple, UK strategist that the liquidity boost from already announced takeovers will continue into the first quarter of next year. Mr Semple, whose prediction of a

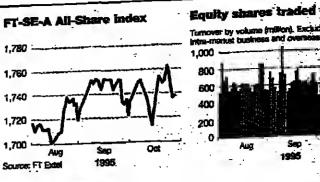
3,400 to 3,600 trading range for the

Footsie has been correct to date,

sees the liquidity push helping the

to an all-time high last week. How-

index to make new highs of 3,800 to 3,900 in the first half of 1996. Trading volume was still relatively modest, with 629.5m shares dealt by the 6pm count. Retail business on Monday was worth £1.27bn, down from £1.45bn on Friday.



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r-SE 100 r-SE Mid 250 r-SE-A 350 r-SE-A All-Share r-SE-A All-Share yield	3535.3 3904.8 1759.4 1738.30 3.86	+3.8 -7.7 +0.8 +0.49 (3.85)	FT Orc FT-SE FT-SE 10 yr (Long (
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Pru up on banking move

Reactions among financial stocks to news that the Pru is moving into banking were a reflection of bow strongly bid

fervour has taken bold. Prudential, the country's biggest life assurer, migbt under other circumstances have expected its shares to leap forward strongly. The plan to staunch the flow of cash from maturing life policies to high street bank and building society deposits, by setting up its own direct banking services, is expected to produce a more competitive business. It means the Pru will retain the use of around £1bn a year and, also, give it a route

into the mortgage husiness. The shares were up 8 at one stage but ended the day only 31/2 stronger at 3901/2p, Late profit-taking was less a symptom of caution over the news, than of the phenomenal rise in the shares because of takeover

enthusiasm. Prudential has outperformed the broad market hy 12 per cent over the past three months and risen nearly 20 per

cent during the past six weeks. News of increased mortgage competition would normally be expected to hit some of the hanks, particularly Abbey National However, the former hullding society's sbares reacted nonchalantly with a rise of 11/4 to 551p.

News of a preliminary setback in the US courts revived asbestos liability worries at motor parts engineer T&N and the shares tumbled to the bottom of the FT-SE Mid 250 rankings in above average

turnover. Reports that T&N failed to have a \$185m lawsuit dismissed in a summary judgment pushed the group's longrunning asbestos litigation fears to the forefront of inves-tor thinking and triggered deep divisions among some London

hrokers. Henderson Crosthwaite relterated its huy advice. In con-trast, BZW, which moved from sell to hold two months ago. switched back to a tactical sell.

T&N is now some 20 per cent under its year's bigh and strong value in p/e relative terms, said Henderson, BZW takes a more wary stance. The asbestos litigation is "a low probability, high cost event", commented analyst Mr Nick Cunningham.

In 2.2m traded, the shares closed 6 lower at 160p, a decline on the day of almost 4

Glaxo boosted

Few analysts said Glaxo Wellcome shares should rise any more but they did. Glaxo wavered around at the top of the Footsie performance charts for the second day running, as investors responded once again to the resolution of a patent

Furthermore, turnover of 16m shares showed that whether or not it merely reflected short-covering as some dealers suggested, the rise had some real weight Yesterday's advance of 81/4 to

challenge

857/2p - a 3/2-year closing high - contributed to much of the fragile strength in the leading index. It huilt on a 52-point jump on Monday, when Glaxo settled out of court in a patent dispute over Zantac, the ulcer drug and world's best selling

Elsewhere in the sector. SmithKline Beecham, which is to report third-quarter figures today, improved 7 to 664p.

However, the release of perfectly respectable nine months' sales figures from Zeneca failed to have a lasting impact. The stock was 14 higher at one stage, but ABN Amro Hoare Govett repeated its belief that It was overvalued and it fell back, finishing 7 lower on the

day at 1189p. The Far Eastern hanks, HSBC and Standard Chartered. stood ont in a dull market as NatWest Securities repeated its entbusiasm about their prospects. The house cited a huov-

claims the sector offers good FINANCIAL TIMES EQUITY INDICES

	Oct 24	Oct 23	Oct 20	Oct 19	Oct 18	Yr ago	"High	LOW
Ordinary Share	2582.7	2579.5	2599.6	2621 2	2536 S	2301.8	2686.5	2238.3
Ord. drv. yeeld	4,10	4.10	4.08	4.05	4.04	4.47	4.73	4.02
P/E ratio net	15 67	15.68	15.82	16.01	16.05	19.08	21.33	15.35
P/E ratio nii	15.48	15.47	15.73	15 82	15.86	17.62	22.21	15.17
For 1995, Ordinary FT Ordinary Share				high 271	36 2009	4, ton 49.4	26/6/40	

Ordinary			_							
Open	9.00	10.00	11.00	12,00	13.00	14.00	15.00	15.00	High	
2576.8	2585,1	2580.6	2579.4	2578.1	2577.9	2583.8	2587.2	2582,6	2585.1	257

	Oct 24	Oct 23	Oct 20	Oct 19	Oct 18	Yr ago
SEAQ bargains	26,724	28,498	28,064	29.834	29,215	24,673
Equity turnover (Emit		1288.9	1451 0	1608.6	1309 4	1211 5
Equity bargains†		32.615	33,375	34,811	34,085	27,312
Shares traded (milit		5704	589.3	658.4	639.8	267.1

Rises and falls' 1985 Highs and lows LIFFE Equity options 13.047 Oct. 24 "Data based on Equity shares Rated on the London Share Service.

value given a ple relative that snacks husiness for £54.6m is at its lowest level for three

Wolseley's full-year results were broadly in line with market expectations. But the tone of the statement on current year trading caused Merrill to reduce its profits target for this year by £14m to £251m. Down 5 at one stage, the shares closed unchanged at 376p.

A big agency cross trade hoisted turnover in Caradon to 25m. Around 11m shares were crossed at 1940. The sbares

eoded all-square at 198p. Precision engineer Smiths Industries added 3 at 565p for a two-day gain of 6 aheao of today's results statement. A warning about slowing demand left plastics and metal components group McKechnie 12 lower at 442p in spite of strong 1994-95 earnings.

Weighed down on Monday by negative news from leading US mini-mill Nucor, British Steel recovered 212 to 168p in 11m shares traded.

Among food producers, Unilever retreated following reiterated sell advice from Kleinwort

The broker turned seller back in July hut has become increasingly cautious on the shares, which dipped 13 to 238p vesterday.

it is coocerned about softening volume growth in Europe. notably in France. Recent VAT increases are now starting to hite, to judge by the third-quarter sales trends at Danone, the hig French foods producer.

Talk of an imminent announcement on restructur. ing from the dairy groups helped Unigate move forward 7 to 416p.

The hot gossip centred on the possibility of news of milk bottling plant swaps between Unigate and Northern Foods sometime this week. Northern hardened 2 to 186p.

Dalgety finished 5 firmer at 422p following news of the disposal of its Golden Wonder

Reports of a 20 per cent fall last month in unit trust sales hit fund managers M&G and Henderson Administration. The former weakened 23 to 1315p while the latter retreated

25 to 1240p. Capital Radin dipped 7 to 469p as Panmure Gordon moved its recommendation from huy to hold.

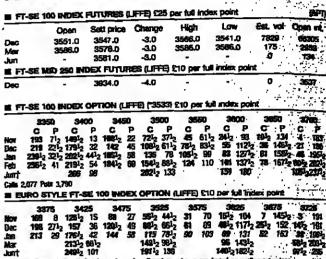
The broker based its change of view on the latest audience figures, which show a sharp decline over the same period a

Multi-media publisher Dorling Kindersley registered a new high with an improvement

of 2 to 541p. USM-quoted computer company Magnum Power forged ahead 26 to 142p after announcing a new way of protecting computer data in the case of

mains failure. Biotech group Biocompatibles International jumped 12 to 343p. Its Proclear contact lens had been chosen by Specsavers. which has more than 300 branches in the UK.

FUTURES AND OPTIONS



MARKET REPORTERS: Peter John. Jeffrey Brown.

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-	F.P.	5.£2	130	120	tEuro Sales Fin	125		-	_	•	
-	F.P.	0.53	25	1712	German Smi Wis	16		-	_	_	
-	F.P.	510	40	25	Hay & Robertson	38		y-		-	•
	F.P.	11.4	119		Tinder Radio	114		y -		-	
- 45	F.P.	17.3	61		†:Auto2.4edia	80		V-	-	-	
_	F.P.	18.3			Murray VC	103		-	`-		•
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:55		30.9		99	Pictet British	103			-	-	
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-	FP		12	12	Upton & Stin Was	12		- 4	-	-	

Share Service notes.								
FT GOLD	MINI	S I	NDE	X				
	Oct 23	% chg on day	Oct 20	Year	firest div yield %	P/E patto		reak 1.ee
Gold Mines Index (34) or Regional Jedices	1764,00	-1.5	1815.17	2285.70	2.02		2296,70	.1037,91
Africa (16) Australasia (6)	2465,51 2192,46		2436.88 2235.02	3700,53 2907.38	4.14 2.27	21,35 24.51		2428.19 1788.20

1536.25 -2.7 1579.32 1773.54 0.87 Copyright, The Financial Times Limited 1985. "FT Gold Minos Index" is a tradement of The Financial Times Limited, Figures in brackets show number of companies, Basis US Dollars, Basis Values; 1000.00 Oct 23 Oct 20 Oct 19 ago

Et ESE Actuaries Share Indices 15.01 126.41 1402.71 19.50 119.81 1520.22 18.21 125.24 1527.96 15.81 80.89 1426.64 13.88 76.85 1180.24 16.47 43.64 1197.85 22.64 53.84 1574.24 20.33 56.59 1572.32 16.18 59.21 1432.61 FT-SE 100
FT-SE Mid 250
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FT-SE-A 350 Higher Yield
FT-SE-A 350 Lower Yield +0.1 3531.5 3551.4 3578.6 3000.9 -0.2 3912.5 3938.5 3938.2 3474.6 -0.2 3933.3 3959.8 3957.6 3474.9 4,00 3,49 3,63 3,89 4,94 2,80 3,32 3,54 2.08 1.83 1.89 2.03 1.82 2.42 1.66 1.74 2.01

FT-SE-A ALL-SHARE	1738.30	_	1/37.61	1/4/./8	1757.3	1497.74	3.84	2.01	16.18	59.21	1432
FT-SE Actuaries All-	-Snare	Day's				Year	DIv.	Net	P/E	Xd adi.	Total
	Oct 24	chge%	Oct 23	Oct 20	Oct 18	ago	yteld%	DOVER	ratio	ytd	Retu
10 MINERAL EXTRACTION(ZS)	2907.75	+0.2	2903.04	2926.27	2943.33	2649.84	3.88	2.09	15.45	105.02	1218
12 Extractive inclustries(7)	4090.57	-0.8	4124.29	4188.17	4221,39	3833.10	3.61	2.51		143.77	
15 Oil, Integrated(3)	2896.58					2606.44	4.05	2.04		197,92	
16 Of Exploration & Prod(13)	1904.51	-0.7	1917.08	1933.78	1937.02	1859,94	2.64	1,49		49.B8	
20 GEN INDUSTRIALS(278)	1939,41	-0.1	1941.06	1956.42	1967.86	1834.21	4.25	1.82	16.12	70.85	1035
21 Building & Construction(35)	896.56					1041.18	4.54	1.94	14.20	37.56	736.
22 Building Metts & Merchs(31)	1655.83					1796.73	4.49	2.01		65.30	818.
23 Chernicals(23)	2427.42					2288.42	3.97	1.82	17.27	80.65	1123
24 Diversified Industrials(20)	1741.45					1725.10	5.70	1,58	13.92	87.22	946
25 Bertronic & Elect Equip(36)	2126.03					1840.18	3.52	1,83		81.51	
26 Engineering(69)	2148.92					1776.10	3.39	1,96		59.70	
27 Engineering, Vetucies(13)	2520.38	-0.4	2529.51	2568.44	2581,09	2231.07	3.72	1.17		82.14	1283
28 Paper, Pokg & Printing(27)	2885.41					2743.36	3.46	2,49		85.90	1177
29 Textiles & Apparei(21)	1537.70				-	1568.82	4.70	1.78	14.95	52.57	810.
30 CONSUMER GOODS(91)	3475.87					2675.04	3.86	1.82	17.79	118,91	1255
31 Breweries(16)	2607.04					2212.42	3.82	1.99		62.79	
32 Spirits, Wines & Ciders(10)	2916.79					2761.82	4.10	1.84		106.86	
33 Food Producers(24)	2506.25					2229.71	4.04	1,80		82.35	
34 Household Goods(11)	2632.97		2633.09	2655.48	2642.37	2384.83	3.63	2.04		84.01	985.
36 Health Care(17)	1972.18	-0,4	1979.72	1982.52	1974.10	1596.93	2.64	1.82	25.98	48.10	1182
37 Pharmscauticals(10) 38 Tobacco(1)	4777.40	+0.7	4743.14	4584.19	4561.43	2942.79	3.42	1.72	21.24	153,87	1582
	4502.27			_		3540.18	5.33	1.90	12.36	229,23	1089
40 SERVICES(226)	2154.00		2154,43	2172.18	2187.59	1876.75	3.10	2.06	19.62	59.00	1099
41 Distributors(30)	2657.18	-D.B	2678.55	2710.13	2705.59	2468.06	3.74	1.77	18.89	90.36	982
42 Leisure & Hotele(29)	2503.96	-0.7	2522.35	2542.88	2554,48	2039.07	3,18	1.85		73.67	
43 Media(43)	3370.53					2762.25	2.18	2,40	24,13	77.87	1205
44 Pietašers, Food(16) 45 Pietašers, General(44)	2024.55	+0.8	2008.81	2018.29	2063.75	1672.08	3.56	,2.41		58.55	1258
48 Support Services(37)	1769.81	+0.1	1767.35	1780.62	1799,54	1635.71	3.31	2.12		49.07	991,
48 Transport(20)	1856.21 2189.19	+0.1	1853.85	1868-27	1867.82	1476.77	2.46	2.44		35.17	1162
1 Other Services & Business(7)	1206.28	+0.0	1107 22	2194.38	22U4.A7	2204.00	3.99	1,29		72.68	893.
SO UTILITIESCOS						1240.33	4.22	1,43	_		1079
62 Electricity(14)	2510.56 2812.18	-0.3	2519.09	2536.14	2549.73	2356.13	4.55	2.01		95.18	
64 Gas Distribution(2)	1648.05	Др	2611.38	2833.58	2825.48	2474.61	3.06	2.92		116.18	
66 Telecommunications(7)	2080.51	-0.6	2004 74	107 8.32	1092.72	1843.06	7.27	0.65		119,62	
68 Water(13)	2076.00	-0.1	2078.88	2082.3R	2081.67	1648.13	3.94 5.52	1.71 2.75		51.48	
9 NON-FINANCIALS(654)	1845.25		1845.41					_	_		1103
70 FINANCIALS(119)	2718.65		2713.55				3.86	1,93			<u>1365</u>
71 Banks, Retail(9)	3806.42	+08	3782.79	2040 75	2/80.5/	2109,49	4.08	2.45	12.48	103,73	1135
72 Sanks, Merchant(5)	3630.06		3631.72				3.82	2.82	11.61	140,81	
73 heurance25	1382.39	-De	1391.07	1471 76	3000./U	2000.31	2.56	2.74		91.76	1133,
74 Life Assurance(E)	3158.68	-0.0	3157 34	3108 30	1428.14 7710 77	2286.86	5.33	2.69		72.25	1012
77 Other Financia(22)	2383.06	-07	2409.75	2122 01	2456 0	1700.00	4.42	1.53	18.45	136,72	1286.
78 Property(45)	1350.82	-0.1	1352.59	1356 14	1350 00	1441 39	3.60 4.58	1.94	17,42	62.49	
80 DIVESTMENT TRUSTS(133)	2918.17		2921.10				2.25	1.33	20.44		809,
89 FT-SE-A ALL-SHARE(900)	1738.30					1497.74		1.08	_		1005.
I-SE-A Fledgling	1078.10		1077.25				3.84	2.01			1432.
I-SE-A Fledgling ex kw Trusts	1077.91	+0.1	1076.46	1078 10	1078.70	-	2.82	1.27	34.91	28.05	1106.
	1011.31	70.	U U.40	TO. 18	IU/8.W/	-	2.96	1,33	31.88	27.02	1107

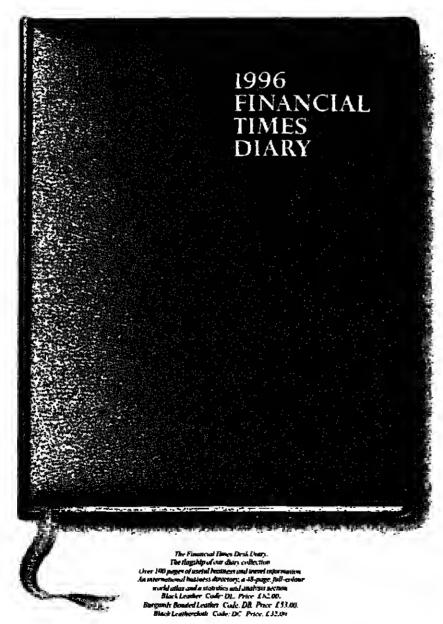
■ Hourly movements

	Орел	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
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E FT-SE Actuaries 350 Industry basker

	Open	9,00	10.00	11.06	12.00	19.00	14,00	15.00	15.10	Closes	Previous	~
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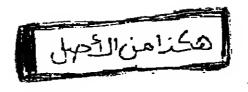
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FINANCIAL TIMES WEDNESDAY OCTOBER 25 1995 ★ 43 NYSE COMPOSITE PRICES | 1005 | 1006 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | 1007 | NASDAQ NATIONAL MARKET The Py Six Div % il 100s High | Smest | Bits | Smest | Law | Last | Camp | | ABS looks | Q20 | 12 | 2 | 12 | 12 | | ACC Corp | Q12 | 92811 | 18 | 17 | 18 | 18 | 2 | 2 | | Accident | E | 22 | 23 | 23 | 23 | 23 | 23 | | Accident | Smest | Smest | Smest | 23 | 23 | 23 | 23 | | Accident | Cp | 44 | 315 | 28 | 24 | 27 | 24 | 24 | | Accident | Cp | 44 | 315 | 28 | 24 | 27 | 24 | 24 | | Accident | Cp | 62008 | 40 | 37 | 23 | 24 | 13 | | Addingtion | 47 | 20 | 14 | 13 | 14 | 14 | 12 | | Addingtion | 47 | 20 | 14 | 13 | 14 | 14 | 12 | | Addingtion | 47 | 20 | 14 | 13 | 14 | 14 | 12 | | Addingtion | 47 | 20 | 14 | 13 | 14 | 14 | 14 | | Addingtion | 47 | 20 | 14 | 13 | 14 | 14 | 14 | | Addingtion | 27 | 342 | 7 | 17 | 17 | 17 | 14 | | Add Logic | 27 | 342 | 7 | 18 | 7 | 18 | 17 | | Add Logic | 27 | 342 | 7 | 18 | 17 | 17 | 17 | | Add Logic | 27 | 22 | 63 | 68 | 65 | 64 | 14 | | Add Logic | 27 | 24 | 53 | 68 | 25 | 25 | 4 | 14 | | Add Logic | 0.10 | 35 | 65 | 24 | 23 | 24 | 14 | | Add Logic | 0.27 | 14 | 1049 | 43 | 25 | 25 | 4 | 14 | | Add Logic | 0.10 | 35 | 65 | 24 | 23 | 24 | 12 | | Add Logic | 0.10 | 35 | 65 | 24 | 23 | 24 | 12 | | Add Logic | 0.27 | 14 | 1049 | 43 | 25 | 25 | 4 | 14 | | Add Logic | 0.27 | 14 | 1049 | 43 | 25 | 25 | 4 | 14 | | Add Logic | 0.27 | 14 | 1049 | 43 | 25 | 25 | 4 | 14 | | Add Logic | 0.27 | 14 | 1049 | 43 | 25 | 25 | 4 | 14 | | Add Logic | 0.28 | 35 | 61 | 24 | 23 | 2 | 12 | | Add Logic | 0.28 | 35 | 35 | 56 | 24 | 23 | 2 | 12 | | Add Logic | 0.28 | 31 | 31 | 12 | 17 | 17 | 17 | 17 | | Add Logic | 0.28 | 31 | 31 | 12 | 13 | 14 | | Add Logic | 0.28 | 31 | 33 | 12 | 2 | 3 | 14 | | Add Logic | 0.28 | 31 | 33 | 34 | 33 | 4 | 33 | | Add Logic | 0.28 | 31 | 33 | 34 | 33 | 4 | 33 | | Am Total | 0.28 | 38 | 38 | 38 | 48 | | Am Total | 0.28 | 38 | 38 | 38 | 38 | 48 | | Am Total | 0.28 | 38 | 39 | 30 | 30 | 4 | | Am Total | 0.29 | 19 | 27 | 32 | 33 | 33 | 33 | 33 | | Am Total | 0.20 | 10 | 10 | 10 | 13 | 14 | | Am Total | 0.24 | 15 | 14 | 14 | 14 | 14 | | Am Total | 0.24 | 18 | 14 | 14 | 14 | 14 | | Am Total | 0.24 | 18 | 46 | 47 | Stock | DN. 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Please call +49 69 15 68 50 for more information. - X - Y - Z -49 8900 46¹₂ 44¹₂ 44³₃ -⁷₄ 4 2844 10³₃ 9⁵₃ 9⁵₃ -¹₂ p 1 1517 3¹₄ 2¹₄ 2²₄ 2²₃ -¹₄ 0.94 08 631 13³₃ 13¹₄ 2³₄ 2³₅ 1 33 1162 8³₄ 8³₅ 8⁵₅ +³₅ 1 140 13 326 85¹₂ 65¹₄ 65¹₂ -¹₄ Financial Times. World Business Newspaper.

W. T. 1995

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US stocks recover, led by gains in bonds

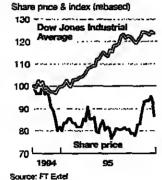
Wall Street

US share prices recovered some of Monday's losses in early afternoon trading yesterday led by a bond market which also regained its footing. writes Lisa Bransten in New

At 1 pm the Dow Jones Industrial Average was 13.01 higher at 4.768.49. The more broadly hased Standard & Poor's 500 was 0.19 firmer at 585.25, hut the American Stock Exchange composite was 0.31 softer at 524.85. Trading volume on the New York SE had reached 237m shares.

The Nasdaq composite improved 3.42 to 1,040.34 owing to gains in several health care

RJR Nabisco



stocks. In early trading United Healthcare appreciated \$2% to \$53 and US Healthcare was \$1% stronger at \$354.

In the early morning, US hond and currency markets were stronger. The benchmark 30-year Treasury hond rose nearly half a point, in spite of new supply which was set to come on to the market at midafternoon yesterday, and the dollar gained against the D-Mark and the Japanese yen.

Helping stocks and honds were statements from Mr Alan Blinder, vice-chairman of the Federal Reserve, who said he Fed funds target rate after he saw the hudget package passed

RJR Nabisco dropped \$2 or more than 6 per cent to \$29% after warning that full-year earnings for this year and next year would be below analysts' expectations. The tobacco and food company also reported net income of 61 cents a share, in line with the mean expectation from analysts.

UAL, the parent company of United Airlines, jumped \$6% or 3.7 per cent to \$176% after announcing net income of \$12.87 a share. 76 cents ahead of expectations. That movement helped the Dow Jones Transportation index advance 2.4 per cent or 45.88 points to

Two initial public offerings got off to strong starts: Gucci, which was priced on Monday at \$22 a share, was trading at \$27's in the early afternoon. and Intimate Brands, priced on Monday at \$17, rose to \$17% in

first-day dealings. Charles Schwab, the discount broking house, rose \$1 or more than 4 per cent to \$241/2 after Goldman Sachs added the company to its priority list.

Toronto had another early fall. hottoming with the TSE 300 index as low as 4,301,86. But banks recovered more than a percentage point with the Canadian dollar, and there was a 2.9 per cent rise in metals and minerals by 1 pm, helping the composite to a gain of 35.77 at 4.351.26.

Noranda was up C\$% at C\$24% after saying that earnings from its mining and metals group more than doubled in the first nine months of 1995, within an earnings per share rise from CS0,35 to C\$0,55. Alcan Aluminum, meanwhile, recovered CS13, to C\$41% on among international investors

Mexico steadier

Mexico City opened higher in constitutional grounds on described as a technical administrative reform proposrebound after Monday's losses. But by midsession the IPC index had drifted back and was ahead just 0.76 at 2,286.16. Volume was weak at 2.6m shares. Analysts said that early third-quarter results were also

surprisingly good given the economy's deep recession. SAO PAULO retreated in morning trade and hy noon the Bovespa index was off 347 or 0.8 per cent at 45,293, investors were said to be waiting for a Merinvest composite i vote in congress regarding the 1.6 per cent to 116.96.

thin volume on what was which the government's als were based.

BUENOS AIRES recovered part of Monday's 4 per cent fall and hy midsession the Merval index was up 4.34 or 1 per cent at 407.96.

CARACAS closed lower as investor enthusiasm, which had carried prices to highs for the year over the last few weeks, dulled due to lack of news over a financing programme with the IMF. The Merinvest composite index lost

South African golds retreat

Shares recouped some of their to a 12-mouth peak of R145 on early losses as a recovery in US and UK markets boosted sentiment. But golds finished weaker, as hullion struggled at lnw levels and amid negative sentiment following a disappointing performance overall from mining companies in

the September quarter. The overall index lost 12.2 at 5,821, while the industrials index was 16.0 softer at 7.464.8 having touched 7,448.1 during the session. The gold shares index shed 7.8 to 1,341.7.

Among the day's features was Edgars, which climbed R7 expectations of better results when the company announces its interim earnings next

Antomakers, Nissan's Sonth African holding company, made its market debut at a strong initial premium before coming back. The company, whose public offer of 5m shares at R5 each was 37 times subscribed, closed at R5.65 after an intra-day high of R6. De Beers was down 25 cents at R103.25, Anglos dropped R4 to R217 and Gencor managed a

35-cent advance to R13.

Real estate companies fell 1.2

Bourses offer varied response to dollar and Dow

and the Dow played to a restive European audience, writes Our Markets Staff.

FRANKFURT turned sour in the end, the Dax index coming off an Ibis-indicated peak of 2,132.63 to close 1.98 lower at 2 114.88 Turnover eased from DM7.4bn to DM6.5hn.

In chemicals. Hoechst rose DM4.70 to DM349.50 as it sought US FDA approval for a new allergy drug, BASF gained DM2.05 at DM309.65 in spite of a chemical explosion at one of its plants; Bayer, quiet on the day, lost DM1.70 at DM361.30.

Mr Andreas Schmidt, chemicals analyst at BZW in Frankfurt, did not link the share movements with the news. Hoechst, he sald, bad heen lifted by the MMD pharmaceuticals acquisition in the US and by restructuring this gave it the prospect of accelerated earnings per share growth and product profile which was less susceptible to the hulk chemicals cycle.

Pharmaceuticals saw of DM1.97 to DM95.28 in Schering, taking its fall to nearly 6 per cent in six days. The company was suffering less from the oral contraceptives scare, said Mr Schmidt, than from a series of events including the

FT-SE Actuaries Share Indices Open 10.30 11.00 12.00 13.00 14.00 15.00 Clase FT-SE Europack 100 1359.86 1361.78 1360.13 1359.56 1359.89 1363.89 1363.89 1363.11 FT-SE Sundrack 200 1487.32 1489.02 1486.30 1486.42 1488.85 1482.51 1491.66 1490.51 Oct 20 Oct 19 Oct 18 04 23 1352.D4 1479.98 1380.47 1500.58 1399.54 1412.52 1405.73 FT-SE Eurotrack 100 FT-SE Eurotrack 200

ahrasive strength of the D-Mark against customer currencies and, with the debut of Merck last week, its loss of exclusivity on the Frankfurt bourse. Merck put on 34 ptgs at DM56.35, putting it on a prospective 1996 ple ratio of 14.5, against Schering's 17.5.

Elsewhere, Thyssen rose DM3.30 to DM256.20 on talks with Chile about a possible \$1hn order for a Transrapid train route connecting Santiago and Valparaiso.

MILAN was absorbed by the start of the debate of no confidence in the government, although news that Gemina had postponed its planned marger with Ferruzzi Finanziaria indefinitely also pro-vided excitement. The Mibtel index made a technical rehound, recovering 1.5 per cent or 139 points to 9,051 as the Comit put on 9.42 at 564.51.

Base 1000 QS-10/302 Highton 100 - 1364 72; 200 - 1480.05 Low/cor; 100 - 1250.71 200 - 1454.07 † Pietal suspended from trade at one point due to an excessive price rise. After requoting, the stock closed 11.3 per cent up at L1.074 after news of a L1.035bn

> ating subsidiary, added 4.5 per cent at L1.065, while Gemina fell L15 or 2.5 per cent to L586. Mr James Cornish, European strategist at NatWest Markets, who visited the country late last week, said yesterday that he now expected early elections to take place, probably by

rights issue, and as rumours of

Montedison, Ferruzzi's oper-

a takeover abounded.

"In the elections, if either the centre-right or centre-left achieved an adequate majority they would both follow a sensible policy of hudget deficit cutting," he said. But there remained serious risks to this scenario, he added, from the

extreme-left and the Northern League. "Italian equities, despite their 28 per cent fall since April 1994, are not yet so cheap as to make it worth ignoring the risks."

PARIS broke out of a six-session losing pattern on the last day of the account, but the gain was not seen as indicating necessarily that the market had shaken off its negative phase. The CAC-40 index was up 3.07 to 1,734.21, off a 1,737 day's high, and in turnover in excess of FFr5bn. Suez, which fell to an intra-

day record low of FFr169.20, recovered to FFr173.00, down 90 centimes. The company was downgraded to sell by James Capel in London, which argued that the group's exposure to the property sector remained a significant worry. Capel cut its estimates and forecast a loss of some FFr3.6hn in 1995, against a previous estimate of a profit of FFri.8bn. The situation for 1996 and 1997 was little better. as Capel downgraded estimates respectively from profits of FFr2.3hn and FFr3.7bn to

FFr685m and FFr1.8hn. L'Oreal lost FFr15 or 1.3 per cent to FFr1,180 ahead of today's first-half results, while Danone fell FFr9 to FFr742

Hafslund Share price relative to the Oslo SE Index

Source: FT Extel

AMSTERDAM was interested in Philips and the chemical companies and, with overall sentiment somewhat more pos-itive than in recent sessions, the AEX index made a gain of 3.39 to 452.56.

Philips rose Fl 1.60 to Fl 68.70 in volume of more than 3m shares ahead of tomorrow's third-quarter results. Analysts were forecasting a rise in net profit to between FI 544m and Fl 560m, from Fl 530m. Chemicals were well snp-

ported in a technical recovery results below expectations. from recent falls: Akzo Nobel advanced Fl 3.90 to Fl 182.70 and DSM Fl 1.80 to Fl 121.20.

ZURICH's chemicals sector was as mixed as that of Frank. furt's, but it gained more than a percentage point overall as the SMI index moved up on the firmer dollar and closed 20.5

higher at 3,062.3. Sandoz climbed SF129 to SFr93S ahead of tomorrow's third-quarter figures. Swissair rose SFr23 or 3.8 per cent in SFr713 after news that it had named Mr Philippe Bruggisser to succeed Mr Otto Loggie as chief executive.

OSLO's decline of just 243 to 717.35 in the total index masked high volatility in Hafs. fund Nycomed, whose A shares tumbled NKr11.50 to NKr173.50 on doubts about the proposed merger with Ivax, of the US. and subsequently recovered to finish NKr4 down on balance at NKr181. The market remained in doubt as to whether either company would

secure the shareholder approval required for the deal. LISBON hit its second successive 1995 low, the BTA index falling 9.0 to 2,578.3. Sonae, the industrial group, dropped Esc90 or 8.2 per cen to Esci.000 following first half

Written and edited by William

ASIA PACIFIC Nikkei average loses early gain on technical selling

Tokyo

A fall in US share prices weighed on sentiment, and technical selling cancelled out earlier gains in the high-technology sector, writes Emiko Terazono in Tokyo.

The Nikkei 225 average lost 141.99 at 18.014.25 after extremes of 18,014.05 and 18.261.48. Investors were discouraged by Monday's profittaking on Wall Street and. although there was huying of semiconductor related stocks. a decline in futures prices triggered arbitrage unwinding and this, finally, depressed the

Volume was 352.9m shares, against 298m. The Topix index of all first section stocks fell 6.29 to 1,438.87 and the Nikkei 300 shed 1.55 to 269.85. Declines led rises by 601 to 394, with 196 issues unchanged, in London the ISE/Nikkei 50 index was 0.17 firmer at 1.225.93.

Worries over the unwinding of a large arhitrage overhang had capped the rise of the Nikket index, after a strong performance in the third quarter. and in the first week of Octoher; traders said that long arbitrage positions currently amounted to more than 2.2hn shares, making the underlying cash market vulnerable to a fall in futures. They attributed the huild up of positions to easier funding and low returns from most other investments. hoth due to historically low

short-term interest rates. High-tech stocks weakened and the electronics sector lost 0.6 per cent, with Toshiba, the day's most active issue, off Y15 to Y755 and Oki Electric down Y14 to Y973. Semiconductor related stocks were firm: Tokuyama, a chemicals group producing semiconductor materials. gained Y5 at Y784; Sumitomo Bakelite rose Y15 to Y838; Nikon, in chip manufacturing equipment, pnt on Y30 at

Pulp and paper companies rose following strong interim earnings. New Oji Paper added Y7 at Y987.

per cent as a group. Mitsui Fudosan lost Y20 at Y1.150. Banks were also lower, with

109.60

220.75 207.66 139 61

138.75 156.33 160.43 205.18

193.98 162.48 122.68 140.97 151.25 194.25 165.62 178.48

Industrial Bank of Japan dip-ping Y40 to Y2,870 and Dai-Ichi

Kangyo Bank Y20 to Y1,800. Leading brokers, which posted gains on Monday on good interim figures, lost ground as profits were taken. Nomura Securities receded Y30 to Y1.930.

Foods, relatively highly weighted in the Nikkei 225, declined on arhitrage-linked selling, Kirin Brewery, the leading heer manufacturer, slipped Y10 to Y1,040 and Ajinomoto, the country's largest food company, eased Y10 to Y1.000.

In Osaka the OSE average was 17.40 softer at 19.516.47 in volume of 42.4m shares.

Roundup

Sentiment in HONG KONG was disturbed by a growing conviction that US interest rates would not be cut at the mid-November meeting of the US Federal Open Market Committee. The market finished near the day's lows but trade was generally unexciting, deal ers remarked.

The Hang Seng index retreated 104.87 or 1 per cent to 9.775.66, just above the day's low of 9,763.66. Turnover was HK\$2.5bn, compared with Monday's HK\$2.9hn.

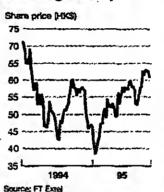
Among property issues, Sun Hung Kai ended at HK\$61, down HK\$1, having earlier hit a low of HK\$60.75. Brokers said the main reason for the fall was profit-taking following the stock's rise in recent weeks.

Cathay Pacific fell hack following Monday's news that the China National Aviation Corp was likely to receive approval to set up Hong Kong airline operations next year. Cathay closed 40 cents lower at HK\$11.60, while its parent Swire Pacific lost 75 cents at HK\$60.75. But some analysts said Cathay and Swire profits faced little danger in the near term. Elsewhere, HSBC fell

HK\$1.50 to HK\$112. SHANGHAL'S B shares lost 1 per cent to 55.21, affected mainly hy a further decline in Inner Mongolia Erdos Cashmere Products, off 3 per cent at \$0.448.

SYDNEY closed lower, with investors lacking confidence

Sun Hung Kai Prop



and cautious ahead of today's inflation data. The All Ordinaries index fell 9.30 to 2.080.00.

A\$4.50, said that it hoped to make an announcement on the composition of the new board hy the end of the week.

SEOUL regained much of Monday's loss, moving ahead 1.7 per cent on expectations of an early resolution to the political slush fund scandal. Blue chip huying took the composite index ahead 16.36 to 992.75 as turnover eased from Won494bn

Shares connected to the former president. Roh Tae-woo. by his children's marriages also recovered: Sunkyong rose Won300 to Won20,500 after a low of Won19,500, while Dong Bang gained Won200 at Won28,000, up from Won26,700.

Brokers said the market could still tumble due to the slush fund scandal as the pros-Coles Myer, off 2 cents at ecutor's office had yet to

release the ontcome of its investigation.

SINGAPORE ended weaker in extremely thin volume. Jardine companies accounting for much of the trading activity there as the Straits Times Industrial index shed 18.48 to 2,089.44. KUALA LUMPUR also reported light trading as the KLSE composite index receded 10.82 to 948.41 in volume of 67m shares, some speculators taking the opportunity to sell ahead of Friday's national hud-

get announcement MANILA steered clear of hlue chips, opting to punt in rarely traded oil and mining stocks in the hope of short term profits. The composite index lost 12.68 at 2,572,49, although the oil sub-index nudged up a little.

WELLINGTON ended off its

wave of positive senting The NZSE-40 capital index shed 18.15 to 2,187.85, but most of the fall was accounted for by a number of stocks trading en-

dividend. Lion Nathan made 4 cents to NZ\$3.30 ahead of its annual results tomorrow. Telecom, 5 cents easier at NZ\$6.35, failed to benefit from the market's

late recovery.

BANGKOK extended a decline which stretched back to July, the SET index ending .6.43 lower at 1.276.08 in sine gish turnover of Bt3.09bn. JAK-ARTA saw more heavy selling in Timah, the mining stock which made a recent market dehut, the composite falling 1.48 to 498.96 with Timali another Rp75 down at Rp2.573. now below its offer price.

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OVERSEAS UNION **BANK LIMITED**

US\$100,000,000 Subordinated Floating Rate Notes due 2011 (Redeemable at the opeon of the Moterbalders in 1996 and 2009)

to accordance with the provisions of the Notes notice is hereby given that the rate of interest for the six months 25th October 1995 to 25th April 1996 has been fixed at 6%. The interest payable on the relevant interest pay-ment date, 25th April 1996, will he US\$7,625.00 per US\$250,000 Note.

SAEHAN MERCHANI

BANKING CRPORATION US\$100,000,000 Floating rate notes 2000

Amsterdam, October 25, 1995

Notice is hereby given that for the interest period 25 October 1995 to 25 January 1996 the notes will carry an interest rate of 6.45469% per annum Interest payable on 25 January 1996 will amount to 3553.4.11 per US\$50,000

Agent: Morgan Guaranty Trust Company **JPMorgan**

WOOLWICH Building Society -

ECU 150,000,000 Floating rate notes due

Notice is hereby given that the notes will bear interest at 6.025% per annum from 25 October 1995 to 25 January 1996. Interest payable on 25 January 1996 will amount to ECU153.97 per ECU10.000 and ECU1,539.72 per ECU100,000

Agent: Morgan Guarantv Trust Company **JPMorgan**

Advance Bank Australia US\$300,000,000

Floating Rate Notes 2000 The notes will bear interest at 6.0875% per annum for the nterest period from 25 October 1995 to 25 January 1996. Interest payable value 25 January 1996 will amount to US\$155.57 per US\$10,000 note.

Agent Morgan Guaranty. Trust Company

JPMorgan

106.79

...193.22 -0.4 181.19 121.76 139.14 160.25